

Stock code : : 4755



SAN FU CHEMICAL Co., Ltd.

2021 Annual Report



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

Annual Report Inquiry Website: [http:// mops.twse.com.tw](http://mops.twse.com.tw)

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

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SAN FU

I. Company Spokesperson and Deputy Spokesperson:

Spokesperson	Deputy Spokesperson
Name: Xie Ming-Zhi	Name: Lee Feng-Mao
Title: Chief Financial Officer	Title: Assistant Manager of Finance & Accounting Office
Tel: (02)2542-6789	Tel: (02)2542-6789
E-mail address: mzxie@sfchem.com.tw	E-mail address: fmlee@sfchem.com.tw

II. Headquarters and Factory Information:

	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
Liaoying Factory	1 Huanyuan E. Rd. Sec. 1, Liaoying District, Tainan	(06)623-1821

III. Name, Address and Phone of the Stock Transfer Agent:

Name: Stock Affairs Dept., First Securities Inc.	Website: http://www.ftsi.com.tw
Address: 6F, 27, Anhe Rd. Sec. 1, Taipei City	Tel: (02) 2563-5711

IV. Name, Firm, Address and Phone of the CPAs

Names of CPAs: Xu Xiu-Ming, Wong Ya-Ling	CPA Firm: Deloitte Taiwan
Address: 20F, 100 Songren Rd., Xinyi District, Taipei	Website: http://www.deloitte.com.tw
Tel: (02)2725-9988	

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

In retrospect, in 2020, the global economic development was impacted by the COVID-10 pandemic and the inflation caused by the drastic increase in the cost of raw materials, but the company's operating results still had a growth compared with the previous year under the efforts of the business operating teams. The following is a summary of the results of the business in 2021 and the business plan in 2022:

1. Review of Business Operations in 2021

(1) Business Plan Implementation Results in 2021

A. Summary of new developing chemical and fine chemical customers and product expansion results:

Developer (TMAH) Recycling Business Division: In 2021 this Division mainly cooperated with the new factory of T Company to expand the developer recovery system of each new factory. In addition, a major breakthrough has been made in the purification of the finished TMAH recycle solution. The 25% recycle solution of LCD specifications originally produced by electrolysis has been purified, and the current quality can be stabilized at the content and specification of individual metal ions, and the diluted concentration of 2.38% of the purity of metal ions can also be controlled to meet the metal ion quality requirements of the developer for the advanced process of Company T. The follow-up will focus on pushing the progress of certifying T Company's use of the recycled solution and promoting new IC industry customers.

The first-phase production line of the second electrolysis plant of the International Nitto Technology Co., Ltd., a subsidiary in Southern Taiwan Science Park, was in full swing in 2021. It is expected to start the test run in the second half of 2022. The annual production capacity of the first phase is 5,000 tons of 25% recycle solution, and the target is set to reach the first-phase full load by the end of the year. In addition, the part of the purification line has been started at the beginning of 2022, but due to the tight supply of domestic equipment, the delivery time will take nearly 20 months, and it is expected to be put into production by the third quarter of 2023, and the first-phase annual output will be 50,000 tons of 2.38% IC grade recycle solution that can meet T company's specifications.

At the end of 2021, the electrolysis plant invested by Mainland has approved the removal and transportation of TMAC produced by the panel factory invested by Guangzhou F Company. As of the end of December, the output was about 230 tons. However, the Mainland's cross-provincial transportation incorporates a yearly application system, and a new application is required to be filed once a year at the beginning of the year... It is expected that after the re-approval in 2022, TMAC can be stably supplied as a raw material to the electrolysis plant, so that the electrolysis process can be started immediately, and the recycled solution will be supplied to the F Group Guangzhou panel plant for use, thereby having a positive impact on the company's revenue in the future.

Specialty Chemicals Division: For front-end semiconductors, in 2021, it

primarily developed some IC chemical certification cases, such as H₃PO₄, CPN, PMA, TMAH, EBR, etc. . In the same year, the products were officially shipped to new domestic and overseas IC customers.

In terms of semiconductor packaging, in the past few years, the REUSE of packaging bumping stripper was actively promoted to existing customers and new customers. In the second half of 2021, it was officially introduced to the leading domestic IC packaging manufacturers, and combined with the innovative environmental protection technology of recycling waste solution after use, and then supplied to secondary electronic customers to form an effective circular economy of recycle.

As for the panel industry, in 2021, the impacts of global pandemic, political situation and supply chain transportation have caused a tight demand for chemicals. With the raw material resources of the company and the synergistic benefits of the group, we can ensure the needs of key customers. At the same time, potential customers with high risk awareness have also shared their quotas and intended to sign a long-term contract with the company in order to ensure stable supply. On the other hand, the sales price of chemicals remained very high due to inflation and upstream local government policies, and the revenue from the second half of 2022 also increased accordingly.

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

Domestic Sales Unit: We introduce a number of new product developments and sales according to the company's existing customer resources, such as sodium gluconate, sodium bicarbonate, trehalose, anhydrous calcium chloride, oxalic acid, etc. to establish 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 small subpackaging market development has also been introduced.

Overseas Sales Unit: the market of PHBA is stable, and Shanhua factory is in full production. In addition to the old customers in America, Japan and India, we actively promote the customers of China and South Korea. In addition, efforts should be 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) Execution of Budget

It is not applicable since the company has not disclosed financial forecast for 2021.

(3) Analysis of Financial Income and Expense and Profitability (Unit: Thousand NT dollars)

Item		2021	2020
Financial Income	Net Sales	4,779,885	3,818,716

and Expense	Gross Profit	1,195,105	861,104
	Income from Operations	721,492	470,903
	Non-operating Income and Expense	107,908	31,317
	Pre-tax Income	829,400	502,220
	Net Income	672,710	399,473
Profitability	Return on Assets (%)	11.36	8.43
	Return on Shareholder Equity (%)	16.88	11.50
	Pre-tax Income to Paid-in Capital Ratio	82.36	49.87
	Net Margin (%)	14.07	10.46
	Earnings per Share (NTE)	4.36	3.58

Note: The above figures were obtained from the Company's consolidated financial statement

(4) R&D status

The company's R & D focuses on product expansion with existing technical advantages and material demand of new industry trends: 1. Give full play to the market share of TMAH recycling, integrate purification technology and formulation knowledge, and develop IC grade developer, so that the recycled products can be reused to IC customers, and implement circular economy. 2. Develop nanomaterials accompanied with the development of the IC industry to enable the localization of key materials. 3. Coordinate the formulation development of electronic chemicals with the product demand development of LCD, IC packaging and IC manufacturing customers. 4. Cooperate with universities for the research and development of the electrolytes for lithium batteries, cultivate battery-related talents and strengthen R&D strength. 5. Continue to actively engage in PHBA, Paraben, CHA and DCHA of all existing products, TMAH's process improvement will make the process more energy-saving and efficient, so as to reduce costs and create profits. 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 Q-TOF (liquid chromatography quadrupole time-of-flight mass spectrometer), Zeta potential analyzer, 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. Business Plan for 2022

(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 intelligence 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. The second TMAH recycling plant was constructed, the production and operation began, and the purification plants and deployment plants are being built actively.
2. Expand and develop the business of the gas companies and material companies in Vietnam.

3. Continue to expand semiconductor customers and strive to increase the turnover of semiconductor customers.
4. Build a specialized Liuke factory to become the most complete electronic chemical factory in Taiwan.
5. Expand the production and sales of CHA and DCHA
6. Integrate relevant products of San Fu Biotechnology Company and San Fu group to form a more professional and rigorous food related industry.
7. Add N₂O storage tank and purification equipment to develop N₂O sales business.
8. Prepare the construction of PHBA's J Production Line.
9. Continue to seek international technical cooperation to improve the technical level.

(2) Estimated Sales Volume and Its Basis

1. Estimated Sales Volume

Product Category	Estimated Sales Volume (ton)
Precision Chemicals	84,803
Basic Chemicals	73,706
Total	158,509

2. Basis: The estimated sales volume of the company in 2022 is set mainly based on the related information on the change in domestic and foreign economic conditions, industrial development and market supply and demand.

(3) Production and Sales Policy

1. Balance production and sales, maintain a certain amount of inventory; when the price is low, prepare more inventory.
2. Delivery follows FIFO (first in first out) 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 market competitiveness.
5. Actively serve and visit customers to win customers' long-term trust.

(4) Future Outlook

The company's strategy is to draw up individual business strategy maps according to different business units, combine the intelligence and creativity of all employees, and use effective enterprise resource 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: Fully develop the IC market, in addition to promoting IC-grade recycling solutions, and seize the new IC liquid market by the existing Mini-plant production capacity. We hope to grab the opportunity in this wave of IC industry expansion to expand the territory of our developer business.

The purification line of the TMAH second-phase plant not only relates to the time

when the developer can be supplied back to T Company, but also solves the increasing TMAX from the IC industry. At the same time, the first purification line is a large-scale self-developed technical production line. After mass production and adjustments, it can also be used as a template for the subsequent second phase to expand the development of the recycle solution or for building a new production line to focus on the new solution market at home and abroad. Therefore, it is a major mission of this year to ensure that the first-phase purification line can be completed in the third quarter of next year.

In view of the difficulty of inter-provincial clearance applications for the Mainland market, and whether it can be approved or not depends entirely on the subjectivity of officials, there are many variables and instability. Therefore, it is expected that the OLED panel factory in Wuhan will base on the actual performance of the electrolysis plant after it starts to produce and return to customers. After the promotion in the province is approved by the local government, we will continue the promotion outside the province to reduce resistance.

In recent years, Taiwanese panel companies have shifted their capital expenditures to focus on product upgrades, and at the same time, the original chemicals no longer can meet customer expectations in this trend. Benefiting from the improvements made by the R&D team and the above-mentioned strategy of managing the relationship with long-term customers, the company introduced and mass-produced the next-generation products in 2021 and can expect an organic growth in 2022, parallelly expand to the panel customers in an all-round manner, and increase the average selling price and business performance. In the perspective of customer utilization, the shipments of liquid crystal displays and notebook panels have passed the strong demand period for home office and remote education due to the epidemic, but there are still niche products, e-sports, and curved TVs which are taking over the market share, echoing the development of the aforementioned next-generation products. In the short and medium terms, there is no reduction in utilization on the customer side.

Taiwan's semiconductor industry has benefited a lot from the US-China trade war. Researches pointed out that the upstream and downstream IC industries of Taiwan will grow by another 12% to reach NT\$4.5 trillion in 2022. As for the three major segments of the semiconductor chemical market that San Fu is facing, the first is the overseas market. In addition to the fact that the original export product certification for Southeast Asian IC customers has come to an end, it is estimated that there will be two products blooming this year. The second is the Taiwan market, and it is estimated that 25 main products are entering into the mass production stage for front-end and back-end customers, and thanks to the completion of the customer's new factory expansion, it is estimated that the IC revenue in the Taiwan market this year will be the most important driver for the growth this year. The third is the OEM market, and foundation was set and samples are verified and analyzed in the previous two years. We hope that at least two products can enter into mass production this year and create a win-win situation between San Fu Chemicals and end customers.

Domestic sales unit of Basic Chemicals Business Division: continue the market

development of new product development in 2021, such as stevioside, lactic acid series, etc., and continue to develop and introduce new product and new supplier development in the future, such as natural caramel pigment, slow-release chlorine ingot, amino acid series, etc. develop new products with forward-looking following the market trend to meet the market demand; actively seek domestic competitive peer SMEs for M & A evaluation or strategic alliance, so as to increase the market share of main products and supplement the product line; develop new applications of existing products, get rid of low-cost competition in the cut-throat market, and maintain the leading position with core competitiveness.

In accordance with the government's food safety management standards, a new food additive factory has been rebuilt in Liuke plant area, and San Fu Biotechnology Co., Ltd. has set up a special food factory for customers to have more confidence in the company's services; strengthen the ability of professional product quality control analysis and detection, improve the company's product quality control, and meet the needs of customers under the complete quality assurance system to improve the company's image.

Export sales unit of Basic Chemicals Business Division: with the R & D results, under the guidance and assistance of the consulting team, we are constantly striving to improve production equipment, increase equipment capacity with minimum investment, improve and stabilize quality, improve by-product recovery efficiency, reduce resource and material consumption, and create greater profits for the company.

To sum up, in addition to continuous improvement of existing products, pursuit of quality improvement and cost reduction, the company has invested resources to develop new products; meanwhile, it has expanded other markets such as Southeast Asia and set up San Fu Vietnam subsidiary to develop gas and specialty chemicals business in emerging countries. The company will continue to have more investment benefits and develop in the direction of high added value product applications.

Lastly, we sincerely thank the shareholders for their continuous support and affirmation. We will continue to abide by the principles of corporate governance, implement corporate social responsibility, improve the professional standards of employees and the company's business performance, so that the company can continue to operate and grow, create more fruitful and stable business results for the company, and feedback to customers, shareholders and employees for their support over the years.

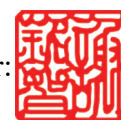
Chairman:



Manager:



Accounting Supervisor:



VII.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

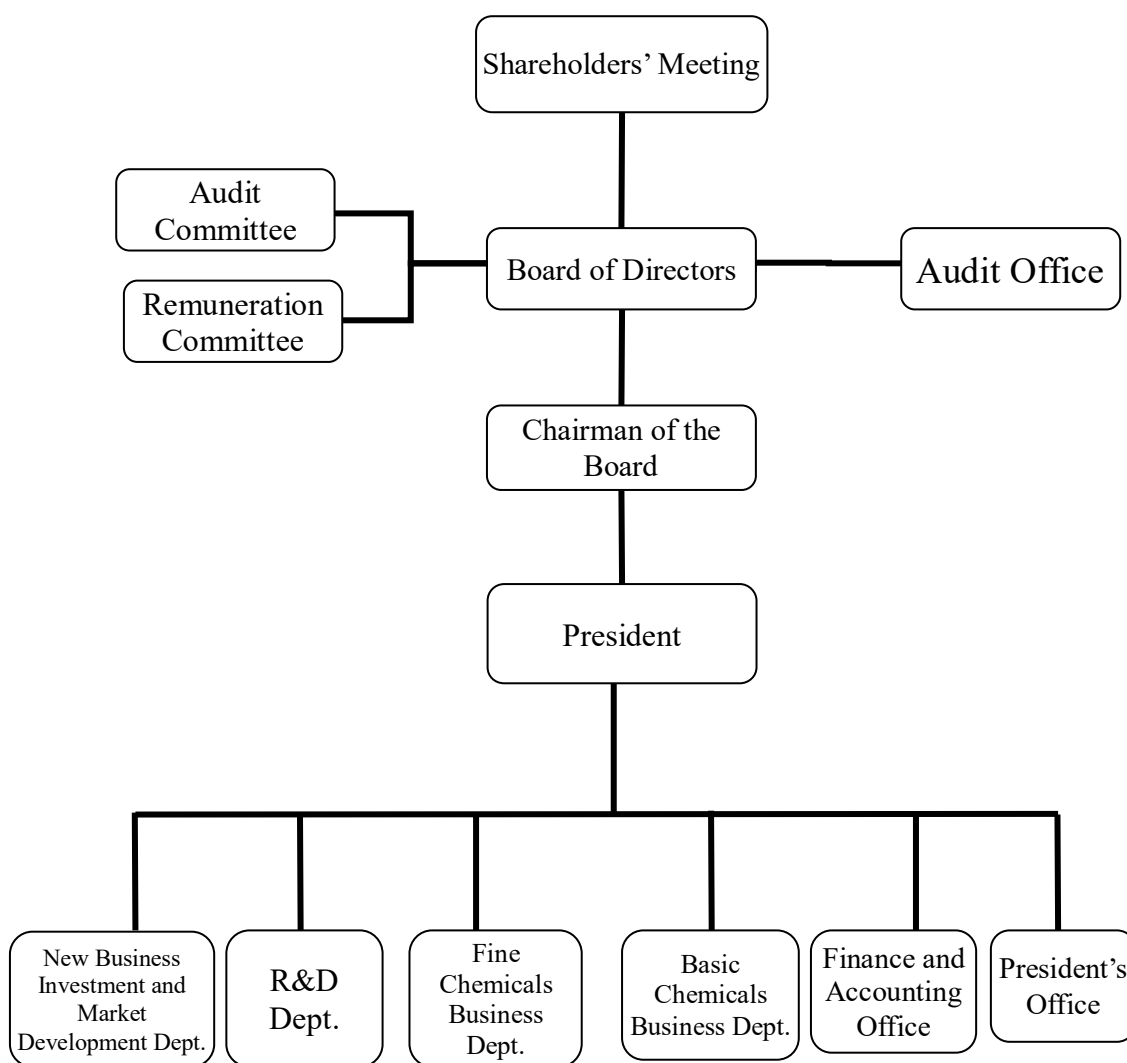
Year	Major Milestones
2003	Formally spun off from Air Products and Chemicals, Inc. to establish San Fu Chemical Co., Ltd.
	Capital increased by NT\$1,100 thousand in cash. Paid-in capital reaches NT\$201,100 thousand after receiving NT\$200,000 thousand transferred from the demerger.
2004	Capital increased 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
	Reinvestment in Hangzhou Gelinda Chemical Co., Ltd.
Reinvestment in Hubei Xingfu Electronics Material Co., Ltd.	
2010	Obtained toxic chemical manufacturing permit (aniline drumming and subpackaging)
	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.

Year	Major Milestones
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.
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).

VIII.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	<p>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.</p>
New Business Investment and Market Development Dept.	<p>Responsible for new business development and investment planning for the company.</p>
R&D Dept.	<p>Responsible for researching and developing new products and improving production quality for the company.</p>
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	<p>Responsible for the manufacture, marketing, sale and resale of chemicals.</p>
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 and Supervisors

A. Director and Supervisor Information

April 19, 2022

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	%			Shares	%	Title
Chairman	Taiwan	Wu Hsin-Hung	Male	71-80	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 Formosa Chemicals & Fibre Corporation Vice President and Vice Chairman, Air Products and Chemicals, Inc. Chairman, Industrial Gas Association of R.O.C.	Director International Nitto Technology Co., Ltd. Director, Hong Cheng Enterprise Corp. Director, 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	61-70	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 General Manager, Air Products and Chemicals, Inc.	Chairman, International Nitto Technology Co., Ltd. Director, San Fu Biotech Co., Ltd. Director, Li Fu Carbonic Acid Corp.	-	-	-
Juristic-person Director	Taiwan	San Fu Global Ltd.			07/05/2021	3 years	10/22/2012	24,067,315	23.9	24,067,315	23.90	0	0	0	0	-	-	-	-	
Director	Taiwan	Representative - Zhang Chun-Ming	Male	71-80	07/05/2021	3 years	03/17/2003	0	0	312,500	0.31	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	61-70	07/05/2021	3 years	10/22/2012	354,752	0.35	695,752	0.69	-	-	-	-	Ph.D. Chemical Engineering, National Taiwan University Asst. Vice President, San Fu Chemical Co., Ltd.	General Manager, and Director, International Nitto 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, Directors or Supervisors who are Spouses or within Two Degrees of Kinship	
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Relation
Director	Taiwan	Zhang Yi-Zong 41~50	Male	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, Fangehun Trading Corporation Director, Xuanmen Corporation Director, Jinmingcheng Corporation Director, Fulu Culture Foundation Director, San Fu Global Ltd.	-	-
Director	Taiwan	Wang Yao-Ming	Male 71~80	0	0	0	0	0	0	0	0	0	0	M.S. Chemical Engineering, National Cheng Kung University Virginia Tech MBA. Passed Chemical Engineering Senior Qualification Examination Vice President, Air Products and Chemicals, Inc.				
Director	Taiwan	Liang Guo-Yuan	Male 71~80	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, Yuanta-Polaris Research Institute Director, Yuanta Commercial Bank			
Independent Director	Taiwan	Li Zhong-Xi	Male 71~80	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			

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	Relation
															Chemicals Mfg. Co., Ltd. Chairman, Quark Biosciences, Inc.			
Independent Director	Taiwan	Wu Dong-Ming	Male 71~80	07/05/2021	3 years	06/24/2013	0	0	0	0	0	0	0	0	M.A. Accounting Western Illinois University Accounting Department, Soochow University Jianguo High School	Chairman, Taiwan Fuhbic Corporation Vice Chairman, Shinkong Synthetic Fibers Corporation Chairman, Xinming Enterprise Corporation Chairman, Xinli Enterprise Corporation Director, Shin Kong Life Insurance Co., Ltd. Independent Director, Tairoun Products Co., Ltd.		
Independent Director	Taiwan	Yang Hong-chih	Male 71~80	07/05/2021	3 years	07/05/2022	5,440	0.01	5,440	0.01	0	0	0	0	General Manager, Formosa Steel Corp. Consultant, Formosa Chemicals & Fibre Corp.			

Note: 1: Director, Wang Yao-Ming resigned on 07/04/2021. 2: Three supervisors resigned on 07/04/2021.

2. Major Shareholders of Institutional Shareholders

April 19, 2022

Name of Institutional Shareholder	Major shareholders of Institutional Shareholders
San Fu Global Ltd.	Zhang Chun-Ming (20.68%), Zhang Ya-Ping (3.9%), Fu Ah-Xi (0.3575%), Zhang Yi-Zong (5.14%), Chen Yi-Hui (0.49%), Zhang Ya-Qing (3.68%), Zhang Dan-Liang (20%), Zhang Xi-Wen (19.91%), Fang Hong-Yuan (11.71%), Zhang Chen Shu-Li (11.27%)
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 19, 2022

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 Hsin-Hung	Manager and director, Formosa Chemical Corporation 16 years Vice chairman, Air Product San Fu Co.,Ltd 2years. Chairman, Taiwan Industrial Gas Association 3 years Chairman, Sanfu Chemical for 19 years Director, International Nitto Technology Co, Ltd. for 11 years Director, Hong Cheng Enterprise Corp. for 19 years Chairman, Lifu Carbonic Acid Co., Ltd. for 1 years Director, San Fu Global Ltd. 18 years	(6), (7), (8), (9), (10), (11), (12)	-
San Fu Global Ltd. company representative: Zhang Chun-Ming	Chairman, San Fu Global Ltd. 18 years Chairman, Air Product San Fu Co., Ltd. 16 years Chairman, Fanda Co., Ltd. 67 years	(6), (7), (8), (9), (10), (11)	-
Tsai Jie-Rong	Deputy Manager Formosa Chemical Corporation 21.5years General Manager, Air Product San Fu Co.,Ltd. 17 years Chairman, International Nitto Technology Co, Ltd. 1Year Director, San Fu Biotech Co., Ltd. 5 years Director, Lifu Carbonic Acid Co., Ltd. 1 year General Manager, San Fu Chemical Co., Ltd. for 5 years	(3), (4), (5), (6), (7), (8), (9), (10), (11), (12)	-
Su Tian-Bao	Associate and Vice President, San Fu 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 of Shanghai San Fu Ming Electronic Materials Co., Ltd. for 14 years	(3), (4), (5), (6), (7), (8), (9), (10), (11), (12)	-

Zhang Yi-Zong	Chairman, Real Green Foods Corporation 11 years Director, Fanda Co., Ltd. 21 years Director, Fangchun Trading Corporation 7 years Director, San Fu Global Ltd 9 years. Director, Lifu Carbonic Acid Co., Ltd. 19 years Director, Jinmingcheng Corporatio 8 years	(1), (3), (5), (6), (7), (8), (9), (11), (12)	-
Liang Guo-Yuan	Chairman and Dean, 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	Academic Advisor, National Taiwan University of Arts for 2 years National Central University Academic Advisory Committee member for 2 years Independent Director, Far Eastern New Century Corporation 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-Ming	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-chih	General Manager of Formosa Steel Plant (Vietnam Plant) 3 years Consultant, Taiwan Chemical & Fiber Corporation for 7 years		-

Note : None of the above directors has any of the conditions specified in Article 30 of the Company Law

- (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. Board Diversity and Independence: Please refer to pages 35~37 of this handbook

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

April 19, 2022

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	Cai 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.	Chairman, International Nitro Technology Co., Ltd. President, San Fu Biotech Co., Ltd. Director, San Fu Biotech Co., Ltd.	-	-
Chemicals Division Vice President	Taiwan	Su Tian-Bao	Male	03/01/2007	695,752	0.69	0	0	0	0	Ph.D. Chemical Engineering National Taiwan University Asst. Vice President, San Fu Chemical 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.	-	-
Equipment & Materials Department Asst. Vice President	Taiwan	Huang Jun-Yin	Male	03/01/2007	221,942	0.22	0	0	0	0	M.S. Chemistry, National Tsing Hua University Special Assistant to the President, Air Products and Chemicals, Inc.		-	-
Fine Chemical Division Asst. Vice President	Taiwan	Zhuang Fu-Qin	Male	07/06/2017	176	0	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.	-	-
Financial and Accounting Office Asst. Vice President	Taiwan	Xie Ming-Zhi	Male	03/01/2019	44,000	0.04	0	0	0	0	Accounting Department, National Cheng Kung University M.A. Accounting National 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.	-	-
TMAH Division, Asst Vice President	Taiwan	Hung Chih-Ming	Male	10/01/2020	0	0	0	0	0	0	M.S. Chemical engineering, National Tsing Hua University	Vice President, International Nitro Technology Co., Ltd.	-	-
President's	Taiwan	Chen	Male	03/01/2019	761,000	0.76	0	0	0	0	M.A. Accounting, National Cheng	General Manager, Air Products and	-	-

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	10,881	0.01	0	0	0	0	M.S. Chemical Engineering, National Taiwan University	-	-	-

(3) Remuneration of Directors, Supervisors, President and Vice Presidents

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				Total sum of A, B, C, and D, and its percentage of net income after tax (%)		Total sum of A, B, C, D, E, F and G, and its percentage of net income after tax (%)		Compen sation paid to directors from an investe d compa ny other than a compa ny subsidi ary	
		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)	Exercisable employee stock options (H)	No. of restricted stock awards obtained	The company	All consolidated entities	The company		All consolidated entities
Chairman	Wu Hsin-Hung														
	Representative of San Fu Global Co., Ltd.														
	Zhang Chun-Ming														
	Tsai Jie-Rong	8,220	-	10,613	1,373										
	Su Tian-Bao														
	Zhang Yi-Zong														
	Wang Yao-Ming														
Director	Liang Guo-Yuan														
	Li Zhong-Xi	8,220	-	10,613	1,373	12,556	228	-	-	228	-	-	-	32,990	32,990
Independent Director	Wu Dong-Ming	--	--	3,825	290	--	290	--	--	--	--	--	--	4,115	4,115
														0.61	0.61

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/ invested company / a company subsidiary: None.

Director Remuneration Brackets

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

(2) Supervisor Remuneration

Unit: Thousand NT\$

Title	Name	Supervisor Remuneration						Total sum of A, B, C and D and its percentage of net income after tax (%)		Compensation paid to directors from an invested company other than a company subsidiary
		Compensation (A)		Compensation from Earnings Distribution (B)		Allowances (C)		The company	All consolidated entities	
		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities			
Supervisor	Pilot keymark SDN. BHD Representative: Zhong Shu-Shen	--	--	2,150	2,150	120	120	2,270	2,270	-
Supervisor	You Sheng-Fu							0.34	0.34	
Supervisor	Huang Ming-Fu									

Remuneration Brackets

Brackets	Names of Supervisors	
	Total of A+B+C	
	The company	All consolidated entities
Under NT\$1,000,000	Zhong Su-Sheng, You Sheng-Fu, Huang Ming-Fu	Zhong Su-Sheng, You Sheng-Fu, Huang Ming-Fu
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	-	-
NT\$10,000,000~NT\$15,000,000	-	-
NT\$15,000,000~NT\$30,000,000	-	-
NT\$30,000,000~NT\$50,000,000	-	-
NT\$50,000,000~NT\$100,000,000	-	-
Above NT\$100,000,000	-	-
Total	3 persons	3 persons

2. President and Vice President Remuneration in 2021

(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)			Total sum of A, B, C and D and its percentage of net income after tax (%)		Exercisable employee stock options (H)		No. of restricted stock awards obtained		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	Cash	Stock	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities			
President	Tsai Jie-Rong																	
Vice President	Su Tian-Bao	6,761	6,761	228	228	5,794	5,794	-	-	-	-	12,783	12,783	-	-	-	-	-
Vice President	Wang Yao-Ming																	

Compensation Brackets

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

- (2) Names of managers receiving employee remuneration and the allocation status: No employee remunerations were allocated by the Company to any managers this year.
- (四) 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 and its percentage of net income after tax (%) included in an entity's or dividual financial reports 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 income after tax (%) included in an entity's or dividual financial reports:

Unit: Thousand NT\$

Director, supervisor and executive management compensation		2021	2020
The company	Compensation amount	39,374	36,754
	As a % of net profit	5.84%	9.20%
All consolidated entities	Compensation amount	39,374	36,754
	As a % of net profit	5.84%	9.20%

The total remuneration of directors, supervisors, president and vice presidents in 2021 increased over that of 2020 due to the increase of net profit after tax in 2021.

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 and supervisors 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 and supervisors at the board of directors; in addition, the remuneration of directors for the company's earnings distribution is based on the provisions of 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.

3. Corporate Governance

(1) Board of Directors Operation

1. The Company's Board of Directors met a total of seven times in 2021 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	7	-	100.00	
Director	San Fu Global Ltd. Representative – Zhang Chun-Ming	5	2	71.43	
Director	Tsai Jie-Rong	7	-	100.00	
Director	Su Tian-Bao	7	-	100.00	
Director	Wang Yao-Ming (Note)	3	1	75.00	
Director	Zhang Yi-Zong	7	-	100.00	
Director	Liang Guo-Yuan	7	-	100.00	
Independent	Li Zhong-Xi	7	-	100.00	
Independent Director	Wu Dong-Ming	7	-	100.00	
Independent Director	Yang Hong-Zhi (Note)	3	-	100.00	

Note: 1: Director, Wang Yao-Ming resigned on 07/04/2021 and Independent Director Yang Hong-Zhi was appointed on 07/05/2021.

Independent Director Attendance in 2021 was as follows:

2021	First	Second	Third	Fourth	Fifth	Sixth	Seventh
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 28~29 for the composition and responsibilities of the board of directors.

(3) Composition and Responsibilities of the Board of Directors

3. Other Mentionable Items

1. If the operation of the board of directors is under any of the following circumstances, the date of the board of directors, the term, the content of motion, the opinions of all independent directors and the company's handling of the opinions of the independent directors shall be stated:

(1) Matters listed in Article 14-3 of the Securities and Exchange Act:

BOD Date (Term)	Content of Motion	Resolution	Independent director opinion or objection/reservation
2021.02.26 (12 th Meeting of 7 th Term)	1. 2020 annual individual financial statement of the company and the company and the consolidated financial statement recognition and business report of the company and its subsidiaries. 2. 2020 earnings distribution table of the company 3. 2020 Statement on the Design and Implementation Effectiveness of Internal Control System 4. Proposal to increase and renew the endorsement guarantee quota for the subsidiary. 5. Proposal to increase capital loans and quotas for subsidiaries. 6. Proposal to participate in the	All directors present agreed to pass	None

	cash capital increase of the subsidiary. 7. 2020 Employee Remuneration and Remuneration Distribution Project for Directors and Supervisors of the company		
2021.05.05 (13 th Meeting of 7 th Term)	1.2021 first quarter earnings distribution plan 2. Proposal to increase the shareholding of the reinvestment of “Lifu Carbon Acid Corporaton 3. Proposal to continue the fund loan and quota case for the subsidiary. 4. Amendments to the Company's Articles of Association. 5. Amendment to the Company's internal control and internal audit operating and other operating procedures.		
2021.08.06 (2 nd Meeting of 8 th Term)	1. 2021 second quarter earnings distribution plan. 2. Proposal to renew the capital loan and quota for the subsidiary.		
2021.11.05 (3 rd Meeting of 8 th Term)	1. 2021 third quarter earnings distribution plan. 2. Proposal to increase the amount of investment in subsidiaries. ° 3. 2022 budget report 4. 2022 audit plan. 5. Amendments to the Articles of Association		

(1) Refer to the following table for incidences of director recusal due to conflict of interests.

BOD Date	Name of Director	Proposal	Reasons for Recusal
08/06/2021 (2 nd meeting of 8 th term)	President Cai Jie-Rong and Chairman Wu Xin-Hong	Bonus allocation to the company president and chairman.	Chairman Wu Xin-Hong and President Cai Jie-Rong excluded themselves from the deliberations and the vote of the above proposal.

			of the above proposal.
02/25/2022 (4 th meeting of 8 th term)	President Cai Jie-Rong and Chairman Wu Xin-Hong	1. Performance evaluation targets and bonus changes for the company's president and chairman 2. Bonus allocation to the company president and chairman.	Chairman Wu Xin-Hong and President Cai Jie-Rong excluded themselves from the deliberations and the vote of the above proposal.

(2) Board of Directors evaluation implementation status

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	2021.01.01~ 2021.12.31	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) The Board of Directors has held 7 board meetings in 2021, and the attendance of supervisors is as follows :

Title	Name	No. of Actual Attendance	Actual Attendance rate (%)	Remarks
Supervisor	Pilot Keymark SDN.BHD. Representative: Herbert S. S. Chung	4	100.00	Resigned on July 5, 2021

Supervisor	You Sheng-Fu	4	100.00	Resigned on July 5, 2021
Supervisor	Huang Ming-Fu	4	100.00	Resigned on July 5, 2021
<p>Other matters that should be recorded:</p> <p>1. The composition and responsibilities of supervisors: Responsible for the implementation of supervisory functions and powers stipulated by relevant laws and regulations</p> <p>(1) Communication between the supervisor and the company's employees and shareholders: The supervisor uses email as a communication tool to communicate with the company's employees and shareholders.</p> <p>(2) Communication between supervisors and internal audit supervisors and accountants :</p> <p>(1) The audit unit submitted the audit report to the supervisor in accordance with the law, and the audit supervisor attended the board of directors.</p> <p>(2) The accountant held a communication meeting with the supervisor during the annual financial report review, and no discrepancies occurred.</p> <p>2. If the supervisor attends the board of directors and expresses opinions, the supervisor shall state the date of the board of directors, the term, the content of motion, the result of the resolution of the board of directors, and the company's handling of the supervisor's opinions: No such case</p>				

(2)Information of the Audit Committee Members:

Title	Name	Criteria Professional Qualifications and Experience	Independence Criteria (note)	Number of other public companies in which the Individual is concurrently serving as Independent Director
Independent director (Convenor)	Li Zhong-Xi	The Audit Committee is composed of all three independent directors. Please refer to the "Director expertise and independence" (P.12) of this annual report for the professional qualifications and experience of the directors. None of the	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	2 1

Independent Director	Wu Dong-Ming	directors is under any of the circumstances stated in Article 30 of the Company Act.	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.	0
Independent Director	Yang Hong-Zhi			

(2) The Audit Committee of the Company held 4 meetings in 2021 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	re-elected on 2021.07.05
Independent Director	Wu Dong-Ming	4	0	100.00	re-elected on 2021.07.05
Independent Director	Yang Hong-Zhi (Appointed on 2021.07.05)	4	0	100.00	
Other matters to be recorded:					
1. The 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			Resolution
	2021.08.06 (1 st Meeting of 1 st Term)	1. 2021 Q2 Earning Distribution 2. Renewal of capital loans and credit limit for subsidiaries			All independent directors have no objection/reservation/major suggestion or opinion, and passed the proposal after discussing with the Audit Committee and then submitted to the Board of Directors for approval according to law
	2021.11.05 (2 nd Meeting of 1 st Term)	1. 2021 Q3 Earning Distribution 2. Proposal of increasing the amount of investment in subsidiaries 3. 2022 Budget Report 4. 2022 Audit Plan 5. Amendment of "Articles of Association"			
	2022.02.25 (3 rd Meeting of 1 st Term)	1. Recognition of the Company's 2021 individual financial statement and the consolidated financial statement of the Company and subsidiaries and business report . 2. 2021 Earning Distribution . 3. Issuance of cash dividend from capital reserve. 4. Renewal of capital loan and credit limit for subsidiaries. 5. Renewal of endorsement and guarantee credit limit 6. Adjustment of the Company's distributable earnings and the special surplus reserve set out using IFRS.			

		7.The independence evaluation of certified public accountants for financial reports. 8. Design and Implementation Effectiveness Statement of the Company's 2021 internal control system	
	2022.05.06 (4 th Meeting of 1 st Term)	1. Discussion on 2022 Q1 consolidated financial statement of the Company and subsidiaries. 2. 2022 Q1 Earning Distribution . 3. Renewal of capital loan and credit limit for subsidiaries. 4. Amendment of “Articles of Association”. 5. Amendment of the Company's internal control operating procedure.	
	<p>(1) 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>2. Execution of the independent director's recusal for conflict of interest: None.</p> <p>3. Communication between independent directors, internal audit head and accountants once a year:</p>		
	11/2/25 Communi cation Meeting	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. 2.The independent director has no opinion on the content proposed by the accountant with regard to the audited content of the financial report.. 3. As the construction of the two subsidiaries in Vietnam will be completed and put into production in the near future, it is proposed to hire an additional internal auditor to strengthen the company's internal control management, and the accountants and independent directors suggest the company to hire an additional internal auditor and the company's management will select an eligible candidate in the near future.	

(3) Corporate Governance Implementation Status and Deviations from Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies

Assessment	Implementation Status		Deviations from Best Practice Principles and the reasons why
	Yes	No	
1. Has the Company developed and disclosed its corporate governance best practice principles based on the Corporate Governance Best Practice Principles for TSWE/GRSM Listed Companies?	✓		No significant deviation No significant deviation
2. Company shareholding structure and shareholders' equity (1) Does the company have internal operation procedures for handling shareholders' suggestions, concerns, disputes and litigation matters? If so, have these procedures been implemented accordingly? (2) Does the company possess a list of major shareholders and beneficial owners of these major shareholders? (3) Does the company establish and implement a risk management system and "firewall" between the company and its affiliates?	✓		No significant deviation No significant deviation
	✓		(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) The Company and related enterprises has developed and implemented internal control systems and related procedures in accordance with regulations.

Assessment	Implementation Status		Deviations from Best Practice Principles and the reasons why
	Yes	No	
(4) Does the Company set up internal procedures to prohibit company internal personnel from using undisclosed information from the market to buy or sell securities?	✓		(4) Procedures have been developed and implemented by the Company and related enterprises for insider trading prevention management.
3. Composition and responsibilities of the Board of Directors (1) Does the Board of Directors develop and implement a diversity policy for organization 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 the company. The selection and appointment of board members are based on the principle of employing talents by their abilities, and they have diverse and complementary capabilities across industries, including basic composition (such as age, gender, nationality, etc.), as well as the experience and relevant skills of the industry, and business judgment, business management, leadership decision-making and crisis management skills. To strengthen the functions of the board of directors and achieve the ideal goals of corporate governance. Article 20 of the Company's "Corporate Governance Code" clearly describes the capabilities that the board of directors should possess in general. 2. The diversity, complement and implementation of directors' diversity have included and exceeded the

Assessment	Implementation Status		Deviations from Best Practice Principles and the reasons why
	Yes	No	
			standards set forth in the "Corporate Governance Code". In the future, the diversity policy will be revised in a timely manner based on the operation of the board of directors, the type of operation and the development needs, including but not limited to the basic conditions and values, professional knowledge and skills, etc., to ensure that members of the board of directors should generally have the knowledge, skills and qualities necessary to perform their duties. 3. The current diversity policy of the board members and its implementation are shown on Pages 36~38 of the attached table below.
(2) Other than the Remuneration Committee and Audit Committee which are required by law, does the company plan to set up other board committees?	✓	✓	(2) Besides the Salary and Remuneration Committee, no other functional committees have been set up by the Company. (3) The company has formulated the performance evaluation method of the board of directors and its evaluation method, and is expected to report the results of the performance evaluation to the board of directors in Feb. 2022. In the future, it will be reported to the board of directors on a regular basis every year, and will be used as a reference for individual directors' remuneration and nomination for renewal. (4) The Company conducts an evaluation of CPA independence at least once per year. The evaluation includes direct or significant indirect financial interest or relationship between the CPA and the Company,
(3) Does the Company develop a performance evaluation procedure and other evaluation methods for the board of directors? Are regular performance evaluations conducted?	✓		(3) No significant deviation
(4) Does the company regularly evaluate its external auditor's independence?	✓		(4) No significant deviation

Assessment	Implementation Status		Deviations from Best Practice Principles and the reasons why
	Yes	No	
			previously or currently serving as company director, supervisor, management, a position which has a major influence on the audit or a position with management duties involving corporate decision-making. The CPAs and CPA firm are asked to submit Independence Statements. The president decided to pass the CPA independence evaluation based on the evaluation results on February 25, 2022.

Assessment	Implementation Status		Deviations from Best Practice Principles and the reasons why	
	Yes	No		
<p>4. Does the company establish a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, handling matters relating to board meetings and shareholders' meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders meetings, etc.)</p>		<p>✓</p>	<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. 	<p>The company has not set up a director of corporate governance.</p>

Assessment	Implementation Status		Deviations from Best Practice Principles and the reasons why
	Yes	No	
5. Does the company establish a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, etc.), set up a dedicated section in its website for stakeholders and properly responded to key corporate social responsibility matters 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 commission a dedicated stock affairs agency to handle shareholder matters?	✓		The Company has commissioned the Stock Affairs Department at First Securities Inc. to handle shareholder matters.
7. Information disclosure (1) Does the company establish a company website to disclose information regarding its financials, business and corporate governance status? (2) Does the company use other information disclosure channels (e.g. maintaining an English language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investor conference etc.?) (3) Does the company announce and report the	✓ ✓		(1) The Company has established a website to disclose information regarding its financial, business and corporate governance status. Refer to www.sfchem.com.tw . (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) The company has not announced the financial report

Assessment	Implementation Status		Deviations from Best Practice Principles and the reasons why
	Yes	No	
annual financial report within two months after the end of the fiscal year, and announce and report the first, second and third quarter financial reports and the operation of each month in advance within the required period?			information in advance , but will announce and report the first, second and third quarter financial reports in advance.
8. Does the company disclose other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, director and supervisor training records, the implementation of risk management policies and risk measurement criteria, the implementation of customer policy, and purchasing insurance policies for directors)?	✓		<p>No significant deviation</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</p>

Assessment	Implementation Status		Deviations from Best Practice Principles and the reasons why
	Yes	No	
		<p>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 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</p>	

Assessment	Implementation Status		Deviations from Best Practice Principles and the reasons why
	Yes	No	
		<p>Summary</p> <p>reduce operation risk to a minimum.</p> <p>7. Customer policy implementation: 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. State the improvements made as a result of the Corporate Governance Evaluation conducted by the TSWE Corporate Governance Center and priority improvement items and measures submitted where improvements have yet to be made. The following improvements have been made this year in response to the current corporate governance evaluation results:</p> <p>1. The company's interim financial reports were approved by the Audit Committee and discussed, resolved and passed by the board of directors.</p> <p>2. The English version of the Sustainability Report was uploaded to the Market Observation Post System and the Company's website.</p>			

Attachment: 1.diversity policy of current Board Meeting

(1)The company promotes and respects a board diversity policy. Promoting a sound development of the organizational structure of the board of directors is believed to be able to enhance the corporate governance, and the diversity policy is able to help improving the company's overall performance. The selection and appointment of board members are based on the principle of employing talents who have diverse and complementary abilities across various industries, including basic elements (age, gender, nationality, etc.) as well as industry experience and related skills (in the fields of business, biotechnology, chemical industry, accounting, economy, gas business, etc.). To strengthen the functions of the board of directors and achieve the ideal goal of corporate governance, the Company's "Corporate Governance Code" clearly states that the board of directors should overall have the following abilities: 1. Business judgment ability;

2. Accounting and financial analysis ability; 3. Operation and management ability; 4. Crisis handling ability; 5. Industry knowledge; 6. International market perspective; 7. Leadership ability; 8. Decision-making ability

(2) The company currently has no female directors, we will strive to increase the proportion of female directors in the future. Please refer to the following table for the diversity policy and implementation of current board members:

Title	Chairman		Representative Director		Directors					Independent Director		
	Name	Gender	Name	Gender	Tsai Jie-Rong	Su Tian-Bao	Zhang Yi-Zong	Liang Guo-Yuan	Li Zhong-Xi	Wu Dong-Ming	Yang Hong-Zhi	
	Wu Hsin-Hung	Male	Zhang Chun-Ming	Male	Male	Male	Male	Male	Male	Male	Male	
Nationality	Taiwan		Taiwan		Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	
Age	71-80		71-80		61-70	61-65	41-50	71-80	71-80	71-80	71-80	
Currently serving as an employee of the Company				V	V	V						
Professional Knowledge and Skills												
Business	V		V		V	V	V	V	V	V	V	
Biotechnology	V		V		V	V	V	V	V	V	V	
Chemical industry	V		V		V	V	V	V	V	V	V	
Economy/Insurance								V	V	V	V	
Gas industry	V		V		V							
Financial Accounting								V	V	V	V	
Other								Education	Education		Steel	
Ability and Experience												
Business Economics	V		V		V	V	V	V	V	V	V	
leadership decision-making	V		V		V	V	V	V	V	V	V	
international market view	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 independence

- (1) No one or his/her spouse or relative within the second degree of kinship among the directors of this company serves as a director or an employee of the company or affiliated companies, so that there is no occurrence of the situations as stipulated in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.
- (2) The average term of office of directors of the Company is 9 years, and the term of office of independent directors is 1 to 9 years. All of the directors have the nationality of Taiwan, and the composition of directors includes three independent directors (33%) and two directors with employee status (22%).
- (3) The orientation, complementation and implementation of the diversity of directors have included and exceeded the standards set forth in the "Corporate Governance Code". In the future, the diversity policy will be amended in a timely manner according to the operation of the board of directors, the type of operation and the requirement of development, including but not limited to the two major aspects, respectively conditions and values, and professional knowledge and skills, to ensure that the board members have the knowledge, skills and qualifications necessary for performing 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 (Convener)	Li Zhong-xi	The Audit Committee is composed of all three independent directors. Please refer to the "Director expertise and independence" (P.12) 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, 2022. The Committee held two meetings in 2021 (A) with the following attendance:

Title	Name	Attendance in person (B)	By proxy	Attendance Rate (%) (B/A)	Remark
Convener	Li Zhong-Xi	3	0	100	Re-elected on July 5, 2021
Committee member	Wu Dong-Ming	3	0	100	Re-elected on July 5, 2021
Committee member	Yang Hong-Zhi	3	0	100	Re-elected on July 5, 2021
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
02/26/2021	<ol style="list-style-type: none"> 1. Review the Company's 2020 employee remuneration, director and supervisor remuneration allocation amounts. 2. Review the Company's president and chairman 2H 2020 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 2021 and the proposal for changing bonus distribution. 	Passed and proposed to the board of directors for resolution
08/06/2021	<ol style="list-style-type: none"> 1. Review the Company's president and chairman 1H 2021 variable bonus issuance amount. 	Passed and proposed to the board of directors for resolution
02/25/2022	<ol style="list-style-type: none"> 1. Review the Company's 2021 employee remuneration, director and supervisor remuneration allocation amounts. 2. Review the Company's president and chairman 2H 2021 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 2022 and the proposal for changing bonus distribution. 	Passed and proposed to the board of directors for resolution

4. The Remuneration Committee regularly reviews the policies, systems, standards and structures of performance evaluation and remuneration of directors, supervisors and managers.

(5) Social Responsibility Fulfillment and Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
<p>1. Has the company set up a governance structure to promote sustainable development, and a dedicated (part-time) department to promote sustainable development, in which the board of directors authorizes the senior management to handle this case and the board of directors supervises the case?</p>	✓	N	<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 28 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 Cai Jie-rong, will report to the Board of</p>

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
			Directors on the implementation results of sustainable development and future work plans in February 2022. 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 change to the company, an appropriate template strategy is used to deal with the impact brought by the events of climate change.
2. Does the company conduct risk assessment on environmental, social and corporate governance issues related to the company's operation in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓		<p>5 steps to identify major topics</p> <ol style="list-style-type: none"> 1. Identify a total of 4 types of stakeholders including customers, employees, government/competent authorities, and suppliers/contractors 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 5 major topics and analyzes and evaluates them according to the completeness principle of the GRI standard to identify the major topics. The completeness <p>No significant deviation</p>

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
<p>3. Environmental issues</p> <p>(1) Does the company establish appropriate environmental management system according to its industrial characteristics?</p>	✓	<p>principle includes scope and topic boundaries, and defines the impact boundary for each major topic.</p> <p>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.</p> <p>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.</p>	No significant deviation
<p>(2) Is the company committed to improving the utilization efficiency of resources and using recycled materials with low impact on environmental load?</p>	✓	<p>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 2021 is approximately 48,000 metric tons.</p> <p>The company uses the framework of climate related financial disclosure proposal (TCFD) issued by the international financial stability committee to identify the</p>	
<p>(3) Does the company assess the potential risks and opportunities of climate change for the enterprise now and in the future, and take measures to deal with climate related issues?</p>	✓		

Evaluation Items	Operation Status			Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	Summary and Description	
(4) Does the company make statistics of greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?	✓		risks and opportunities brought by climate change to the business performance of San Fu chemical, and formulate response strategies for the identified issues. The company disclosed the greenhouse gas inventory and certificates in the past two years on the official website, and in the CSR report, the company disclosed the greenhouse gas emissions, water consumption and total weight of waste, and monitored the greenhouse gas emissions to meet regulatory standards and measures to reduce water use.	No significant deviation
4. Upholding social welfare (1) Does the company comply with relevant laws and regulations, and the International Bill of Human Rights and adopt relevant management policies and procedures?	✓		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 maintains the human rights of full-time employees, part-time employees, and interns, and these human rights 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: 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	No significant deviation

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
(2) Does the company establish and implement reasonable employee welfare measures (including compensation, vacation and other benefits), and properly reflect the operating performance or results in employee compensation?	✓	<p>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.</p> <p>3. The Company has not yet established a union organization but regular meetings are held between labor and management for two-way communication and 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</p>	

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
		<p>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) In compliance with the Act of Gender Equality in Employment, the company ensures that there is no gender discrimination in recruitment, screening, hiring, distribution, performance evaluation, promotion, education and training, or welfare and benefits, etc. The current gender breakdown of the company accounts for 80% males and 20% females. Generally speaking, the willingness of women to enter in the chemical manufacturing industry is lower than that of men, which is the normal state in the distribution of the male and female labor force in this industry. However, San Fu Chemical adheres to the establishment of a work system and working environment that is friendly to employees, so as to drive women's willingness to join the chemical manufacturing industry and implement fairness in the allocation of economic resources. The proportion of female employees has increased for three consecutive years. The company's education and training platform has also designed an online course on "Diversity and Inclusion" in July 2018, allowing all colleagues to read online to promote the diversity and inclusion in corporate culture.</p>	

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
(3) Does the company provide safe and healthy work environments for employees and offer regular training on safety and health for employees?	✓		(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 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) Does the company establish an effective career development training program for its employees?	✓		(4).The company conducts interviews for setting the goal and evaluating performance every six months. The content includes the improvements on employees' setting and expectation for their professional knowledge and skill development. This mechanism also emphasizes that supervisors must have plans for employees' ability training and career development. The company continuously cultivates and develops the management skill of supervisors.

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
(5) Does the company follow relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant policies and complaint procedures to protect the rights and interests of consumers?	✓		(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 have a supplier management policy that requires suppliers to follow relevant specifications and their implementation in environmental protection, occupational safety and health, labor rights and other issues?	✓		(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 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), a global reporting initiative. At the same time, this report is the core option of GRI guidelines, with GRI content index attached. <ul style="list-style-type: none"> ■ 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 OHSAS 18001 / TOSHMS occupational safety
5. Does the company prepare corporate social responsibility reports and other reports that disclose the company's non-financial information in accordance with the international reporting standards or guidelines? Is the disclosure report confirmed or guaranteed by a third party certification unit?	✓		No significant deviation

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
		<p>and health management system, which have been certified by the British Standards Institution (BSI) Taiwan Branch; the ISO 14064-1 greenhouse gas inventory standard, which has been certified by SGS Taiwan inspection technology.</p> <ul style="list-style-type: none"> ■ 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. 	
<p>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.</p> <p>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.</p> <p>7. Other critical information that helps understand the operation of corporate social responsibility:</p> <ul style="list-style-type: none"> ■ The Company actively participates in the public welfare activities of donating funds to promote education and devoting efforts to create a learning and growing society: by offering scholarships to poor students in public and private universities, the sponsorship of chemical camp activities of the Department of Chemical Engineering of National Taiwan University, the sponsorship of the "Periodic Table Around the Island 2.0" event of the Chinese Chemical Society, the sponsorship of the “2021 Taiwan Chemical Industry Summit Forum”, the fund donation to the K-T Wang Bioorganic Chemistry Foundation, the fund donation to the Comprehensive Activities Building of Tunghai University, and the found donation for the renovation of the Department of Chemical Engineering of National Taiwan University; ■ For the location where the company operates, we provide local community care activities: offering Shan-hua Junior High and Elementary School’s Baseball Team, Xiao-xin Elementary School and Jia-ba Elementary School’s Graduation Ceremony Gifts and Anniversary Celebrations of Xiaoxinli Community Development Association and Xiaoxinli Longevity Club Gifts, and the fund donation for the Xiaoxinli Neighborhood Watch/Community Patrol Team; ■ The Company helps the disadvantaged groups in society and passing on love and care: The foundation for Children with Developmental Delay. 			

(6) Performance of integrity operation and the difference between integrity operation rules of listed and OTC companies and the reasons

Assessment	Operation Status		Deviations with Ethical Corporate Management Best Practice Principles for TSWE/GTSM Listed Companies and the Reasons Why
	Y	N	
<p>1. Develop ethical management policies and programs</p> <p>(1) Does the company specify the policy and approach regarding ethical management on articles and outbound documents as well as the commitment from Board of Directors and management to implement management policy?</p> <p>(2) Does the company enact any prevention programs for unethical conduct and clearly define the procedures, conduct guidelines and the violation disciplinary and complaint system for each program for implementation?</p> <p>(3) Does the Company take any prevention measures for the items of the Article 7.2 of “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” or higher potential unethical conduct within other business activities?</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>	<p>No significant deviation.</p>
<p>2. Implementation of ethical management</p> <p>(1) Does the company assess the ethics records of business counterparties? Does the Company include business conduct and ethics related clauses in the business</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</p>	<p>No significant deviation.</p>

Assessment	Operation Status		Deviations with Ethical Corporate Management Best Practice Principles for TSWE/GTSM Listed Companies and the Reasons Why
	Y	N	
contracts?			
(2) Does the company set up a full-time (Part-time) unit under the board of directors to promote the integrity management of the enterprise, and regularly (at least once a year) report to the board of directors on its integrity management policy, prevention of dishonest conduct program and supervision of implementation?	✓		<p>there are any violations of ethical conduct.</p> <p>(2) The corporate integrity management full-time (Part-time) unit 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 company's operation. In addition, it will regularly update and share cases with colleagues. In 2021, the cases are the Taishin Holdings' insider trading case and the Great Pacific Navigation Company's embezzlement and tax evasion cases, and on November 5, 2021, relevant executions were reported to the board of directors once a year on a regular basis..</p>
(3) Does the Company establish policies to prevent conflicts of interest, provide appropriate communication channels and implement these policies?	✓		<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</p>

Assessment	Operation Status		Deviations with Ethical Corporate Management Best Practice Principles for TSWE/GTSM Listed Companies and the Reasons Why																				
	Y	N																					
(4) Does the company establish effective accounting systems and internal control systems for the implementation of ethical management? Is compliance audited by an internal audit unit or entrusted CPA?	✓		<p>department at any time.</p> <p>(4) The company's auditors prepare the company's internal control self-assessment and annual audit plan in accordance with the regulations, and submit it to the supervisors and independent directors.</p>																				
(5) Does the Company regularly provide internal or external training courses on ethical corporate management?	✓		<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. The training achievement rate is 100%, and 47 employees have completed the training. Please refer to the following for the training conclusion:</p> <table border="1" data-bbox="1134 488 1342 1149"> <thead> <tr> <th>Trainees</th> <th>No. of Trainees</th> <th>No. of trainees completed training</th> <th>Average score</th> <th>Detail description</th> </tr> </thead> <tbody> <tr> <td>Junior staff</td> <td>14</td> <td>14</td> <td>8.57</td> <td>Grade 6 or below</td> </tr> <tr> <td>Mid-level staff</td> <td>19</td> <td>19</td> <td>96.58</td> <td>Grade 7-9</td> </tr> <tr> <td>Senior staff</td> <td>14</td> <td>14</td> <td>97.11</td> <td>Grade 10 or above</td> </tr> </tbody> </table>	Trainees	No. of Trainees	No. of trainees completed training	Average score	Detail description	Junior staff	14	14	8.57	Grade 6 or below	Mid-level staff	19	19	96.58	Grade 7-9	Senior staff	14	14	97.11	Grade 10 or above
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Assessment	Operation Status		Deviations with Ethical Corporate Management Best Practice Principles for TSWE/GTSM Listed Companies and the Reasons Why
	Y	N	
	Summary and Description		
<p>3. Operations of company reporting system</p> <p>(1) Does the company establish a specific reporting and incentive system, set up convenient reporting channels and assigned suitable personnel responsible for handling the subject(s) being reported on?</p> <p>(2) Does the company establish a standard operation procedure containing investigation standards and a confidentiality mechanism for accepting reported matters?</p>	<p>✓</p>	<p>✓</p>	<p>No significant deviation.</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> <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: 1.The name and ID card number of the informant</p>

Assessment	Operation Status		Deviations with Ethical Corporate Management Best Practice Principles for TSWE/GTSM Listed Companies and the Reasons Why
	Y	N	
<p>(3) Does the company adopt measures that protect the informer from receiving improper treatment due to reporting?</p>	✓		<p>can contact the accused's address, telephone number and email address.</p> <p>2 The name of the informant or other information sufficient to identify the identity characteristics of the accused.</p> <p>3. Specific evidence for investigation.</p> <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> <p>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.</p> <p>2) The responsible unit of the company and the supervisor or personnel reported in the preceding paragraph shall 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</p>

Assessment	Operation Status		Deviations with Ethical Corporate Management Best Practice Principles for TSWE/GTSM Listed Companies and the Reasons Why
	Y	N	
			<p>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. Strengthen information disclosure (1) Does the company disclose the content of developed ethical management practices and promotion effectiveness on the company website and Market Observation Post System?	✓		No significant deviation

Assessment	Operation Status		Deviations with Ethical Corporate Management Best Practice Principles for TSWE/GTSM Listed Companies and the Reasons Why
	Y	N	
			best practice principle content and promotion effectiveness each year on its website.
5. If the Company has instituted ethical corporate management best practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please describe its operation differing from the Principles: At present, there is no significant difference between the company's "operation procedures and code of conduct for integrity management" and the content of the code.			
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. 2020 Statement of Internal Control System


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

February 25, 2022

The Company has conducted a self-evaluation of its internal control system in 2021. 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 26, 2021 and all nine directors in attendance affirmed the content of this statement.

San Fu Chemical Co., Ltd.

Chairman: Wu Hsin-Hung



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: None

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

Meeting Date (Term)	Major Resolutions of the Board of Directors	Remarks
2021.06.01 (14 th Meeting of 7 th Term)	1. Change of the Date of the 2021 Shareholders' Meeting according to the instruction by Financial Supervisory Commission	Passed as proposed
2021.06.29 (15 th Meeting of 7 th Term)	1. Proposal to change the venue of the 2021 Shareholders' Meeting	Passed as proposed
2021.07.05 (1 st Meeting of 8 th Term)	1. Election of Chairman. 2. Proposal of hiring a salary remuneration committee member .	All motions were passed as proposed.
2021.08.06 (2 nd Meeting of 8 th Term)	1.2021 Q2 Earning Distribution . 2. Proposal of renewing the capital loan and credit limit for subsidiaries. 3. Amendment of information security policy. 4. Application for the renewal of bank loans. 5. Amendment of "Director Remuneration and Remuneration Distribution Method" 6. Auditing of the amount of payment for various bonuses issued by the Company's president and Chairman in 2021 H1.	All motions were passed as proposed.
2021.11.05 (3 rd Meeting of 8 th Term)	1. 2021 Q3 Earning Distribution . 2. Proposal of increasing the amount of investment on subsidiaries. 3. 2022 Budget Report . 4. 2022 Audit Plan . 5. Amendment of the Company's "Articles of Association". 6. Donations to Foundations 7. Donation to public and private schools. 8. Proposal of applying for the renewal of bank loans..	All motions were passed as proposed.
111.02.25 (4 th Meeting of 8 th Term)	1.Recognition of the Company's 2021 individual financial statement and the consolidated financial statement of the Company and subsidiaries, and business reports. 2. The Company's 2021 Earning Distribution Table. 3. Issuance of cash dividend from capital reserve. 4. Formulation of the date, venue, agenda and period for accepting shareholders' proposals for the 2022 Shareholders' Meeting. 5. Renewal of capital loan and credit limit for subsidiaries. 6. Renewal of endorsed and guaranteed credit limit 7. Adjustments to the Company's distributable earnings and the set amount of special surplus reserve using IFRS. 8. Independence evaluation of certified public accountants for financial reports.	All motions were passed as proposed.

Meeting Date (Term)	Major Resolutions of the Board of Directors	Remarks
	<p>9. Design and execution effectiveness declaration of the Company's 2021 Internal Control System.</p> <p>10. Application for renewal of bank loans.</p> <p>11. 2021 Employee remuneration and directors and supervisors remuneration distribution.</p> <p>12. Auditing of the amount of variable bonuses issued by the president and chairman in 2021 H2.</p> <p>13. The auditing of performance evaluation objective of the president and chairman in 2022 and the suggestion of variable bonuses.</p>	
11.05.06 (5 th Meeting of 8 th Term)	<p>1. Discussion on the 2022 Q1 consolidated financial statement of the Company and subsidiaries.</p> <p>2. 2022 Q1 Earning Distribution .</p> <p>3. Proposal of changing the venue of the 2022 Shareholders' Meeting and adding more motions.</p> <p>4. Proposal of renewing the capital loan and credit limit for subsidiaries.</p> <p>5. Amendment of "Articles of Association".</p> <p>6. Amendment of the Company's internal control operating procedure</p> <p>7. Application for the renewal of bank loans.</p>	All motions were passed as proposed.

Meeting Date (Term)	Major Resolutions of the Board of Directors	Remarks
2021.06.16	<p>1. Subject Matter: Recognition of 2020 business report and financial statement.</p> <p>2. Subject Matter: 2020 Earning Distribution .</p> <p>Implementation: July 27, 2021 was set as the base date for ex-rights dividend distribution, and August 06, 2021 was set as the date of distributing the cash dividend (NT\$2.0 per share)</p> <p>3. Subject Matter: Proposed to change the capital utilization plan for the 2020 cash capital increase.</p> <p>Implementation: Announcement has been made.</p> <p>4. Subject Matter: Election of directors for the 8th term</p> <p>Implementation: Announcement has been made, and consent and declaration were submitted to the competent authority.</p> <p>5. Subject Matter: Issuance of cash dividend from capital reserve.</p> <p>Implementation: July 27, 2021 was set as the base date for ex-rights dividend distribution, and August 06, 2021 was set as the date of distributing the cash dividend (NT\$1.0 per share).</p> <p>6. Subject Matter: Amendment of "Articles of Association".</p> <p>Implementation: The amendment has been uploaded to the Company's website.</p> <p>7. Subject Matter: Amendment of "Procedures for acquiring disposing assets".</p> <p>Implementation: The amended methods have been uploaded to the Company's website</p> <p>8. Subject Matter: : Amendment of "Procedures for appointing directors and supervisors"</p> <p>Implementation: The amendment has been uploaded to the Company's website.</p> <p>9. Subject Matter: Amendment of "Operating procedure for loaning fund to others".</p> <p>Implementation: The amendment has been uploaded to the Company's website.</p>	All motions were passed by votes.

	10. Subject Matter: Amendment of “Operating procedure for endorsement and guarantee Implementation: The amendment has been uploaded to the Company’s website 11. Subject Matter: Amendment of “Regulations for Governing the Procedure of Shareholders’ Meeting”. Implementation: The amendment has been uploaded to the Company’s website 12. Subject Matter: Lifting the non-compete restriction of newly appointed directors and their representatives.	
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(12) Records or written statements made by any directors or supervisors dissenting to major resolutions passed by the Board of Directors: 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	2021	3,260	89	3,349	The non-auditing fee is the industrial and business registration fee.
	Hsiu-Ming					
	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) If the auditing expense is reduced by more than 10% compared with the previous year, the reduced amount, proportion and reasons shall be disclosed: No such case.

(4) 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, Supervisors, Management and Major Shareholders

Unit: Shares

Title	Name	2021		Up to April 19, 2022	
		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	38,045	0	0	0
Director & President	Tsai Jie-Rong	170,400	0	0	0
Director	Zhang Yi-Zong	0	0	0	0
Director & Vice President	Wang Yao-Ming (Note 1)	0	0	0	0
Director & Vice President	Su Tian-Bao	341,000	0	0	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-chih	5,440	0	0	0
Supervisor	Pilot Keymark SDN.BHD.	0	0	0	0
Pilot Keymark representative	Zhong Su-Sheng (Note 3)	0	0	0	0
Supervisor	You Sheng-Fu (Note 3)	0	0	0	0
Supervisor	Huang Ming-Fu(Note 3)	0	0	0	0
Major shareholder	Pilot Keymark SDN.BHD.	0	0	0	0
Major shareholder	San Fu Global Ltd.	0	0	0	0
President	Tsai Jie-Rong	170,400	0	0	0
Vice President	Su Tian-Bao	341,000	0	0	0
Vice President	Wang Yao-Ming (Note 2)	0	0	0	0
Asst. VP	Huang Jun-Yin	(55,000)	0	(163,000)	0
Asst. VP	Zhuang Fu-Qin	(25,000)	0	0	0
Finance and Accounting Supervisor	Xie Ming-Zhi	50,000	0	(6,000)	0
Asst. VP	Chen Jie-Yu	341,000	0	0	0
Asst. VP	Dai Qin-Yao	0	0	0	0

Note 1 Resigned in July 2021

Note 2: Retired in February 2021

Note 3: Supervisors resigned in July 2021.

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

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

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

April 18, 2021 / Unit: Shares

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%	-	-	-	-	-	-	-
Wu Hsin-Hung	3,680,010	3.65%	-	-	-	-	Wu Dong-Bai	Father/son	-
Zhang Xi-Wen	3,569,286	3.54%	-	-	-	-	Zhang Chun-Ming Zhang Dan-Liang	Son/father brother	-
FORTUNE CONTIENT TRADE LIMITED Rrepresentative::Li Chang Bao Shou	3,302,722	3.28%	-	-	-	-	-	-	-
Wu Dong-Bai	2,949,013	2.93%	-	-	-	-	Wu Xin-Hong	Son/ Father	-
Zhang Chen Shu-Li	2,925,884	2.91%	-	-	-	-	Zhang Chun-Ming	Sister-in-law /brother	-
Fang Hong-Yuan	2,335,952	2.32%	-	-	-	-	-	-	-
Transglobal Life Insurance Inc. Representative : Tender Peng	2,060,417	2.05%	-	-	-	-	-	-	-
Zhang Dan-Liang	1,698,545	1.69%	-	-	-	-	Zhang Chun-Ming Zhang Xi-Wen	Son/ Father Brother	-

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

December 31, 2020/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.	40,000,000	100.00%	-	-	40,000,000	100.00%
Horng Cherng Enterprise Co., Ltd.	1,200,000	50.00%	-	-	1,200,000	-
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%
Fanda International (Samoa) Ltd (Note 2)	1,300,000	41.94%	1,800,000	58.06%	1,300,000	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.

Note 2: Liquidated in January 2021

IV. Capital Overview

1. Capital and Shares

(1) Sources of Capital

1. Capital formation

May 11, 2022 /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 11, 2022 / /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	The outstanding shares are listed shares

(2) Shareholder Composition

April 19, 2022 / /Unit: Persons; Shares

Shareholder Composition	Government Institution	Financial Institution	Other Legal Person	Natural Person	Foreign Institutions and Individuals	Total
Quantity						
Number of persons	0	13	42	8,123	33	8,211
Shareholding	0	3,566,105	25,636,868	40,630,604	30,872,423	100,706,000
Shareholding %	0.00%	3.54%	25.46%	40.34%	30.66%	100.00%

(3) Shareholder dispersion

April 19, 2022

Shareholding bracket	No. of Shareholders	Shares Held	%
1~999	1,705	209,595	0.21%
1,000~5,000	5,833	9,240,626	9.18%
5,001~10,000	331	2,613,820	2.60%

10,001~15,000	94	1,188,257	1.18%
15,001~20,000	58	1,065,904	1.06%
20,001~30,000	55	1,390,638	1.38%
30,001~40,000	26	918,488	0.91%
40,001~50,000	17	769,221	0.76%
50,001~100,000	37	2,508,407	2.49%
100,001~200,000	17	2,478,656	2.46%
200,001~400,000	20	5,476,784	5.44%
400,001~600,000	3	1,506,118	1.50%
600,001~800,000	2	1,456,752	1.45%
800,001~1,000,000	2	1,813,810	1.80%
Over 1,000,001	11	68,068,924	67.59%
Total	8,211	100,706,000	100.00%

(4) List of Major Shareholders

April 19, 2022 /Unit: Shares

Name of Major Shareholder	Shares	Shareholding	%
San Fu Global Ltd.		24,067,315	23.90%
Pilot Keymark SDN.BHD.		19,929,000	19.79%
Wu Hsin-Hung		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		2,925,884	2.91%
Fang Hong-Yuan		2,335,952	2.32%
TRANSGOBAL LIFE INSURANCE INC.		2,060,417	2.05%
Zhang, Dan-Liang		1,698,545	1.69%

(5) Market Price, Net Value, Earnings and Dividend per Share and Other Related Information

Unit: NT\$; Thousand shares

Item		Year	2020	2021	As of May 11, 2022
		Market price per share	Highest		83.40
Lowest			38.05	56.2	123.5
Average			57.57	70.52	165.3
Net value per share	Before distribution		37.66	41.16	41.84
	After distribution		34.66	N/A	N/A
Earnings per share (EPS)	Weighted average no. of shares		91,553	100,706	100,706
	EPS		4.36	6.69	3.24
Dividend per share	Cash dividend		3	(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		13.20	10.56	N/A
	Price-Dividend Ratio		19.19	(Note 1)	N/A
	Dividend Yield		5.21%	(Note 1)	N/A

Note 1: Determined after resolution by the June 17, 2022 Shareholders' Meeting

Note 2. Net value per share and earnings per share are the information reviewed by accountants on March 31, 2022

(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 50% 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 26, 2022, it was proposed that the distribution of earnings in the year of 2021 should be NT\$3.0 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 17, 2022.

(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) Situations of 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, employee remuneration distributed in terms of number of stocks 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 2022.

3. Remuneration distribution approved by the Board of Directors (1) The Company's 2021 earnings distribution plan was approved at the February 25 2022 meeting of the Board of Directors 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: NT\$16,588,000 in director and supervisor remuneration was approved for distribution.

The difference in the estimated amount of recognized expenses in the previous year was NT\$24,000, and the difference had been adjusted and accounted for in the first quarter of 2022.

(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 2020 earnings distribution plan was approved at the meeting of the Board of Directors on February 26, 2021 and the employee, director and supervisor remuneration distribution was as follows:

A. Employee cash remuneration amount: NT\$10,547,000 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\$10,547,000 in director and supervisor remuneration.

The difference in the estimated amount of recognized expenses in the previous year was NT\$747,000, and the difference had been adjusted and accounted for in the first quarter of 2021.

(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 \ Year	2021		2020	
	Amount	%	Amount	%
Fine chemicals	3,647,671	76.31	2,903,964	76.05
Basic chemicals	1,132,214	23.69	914,752	23.95
Total	4,779,885	100	3,818,716	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 contrast 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

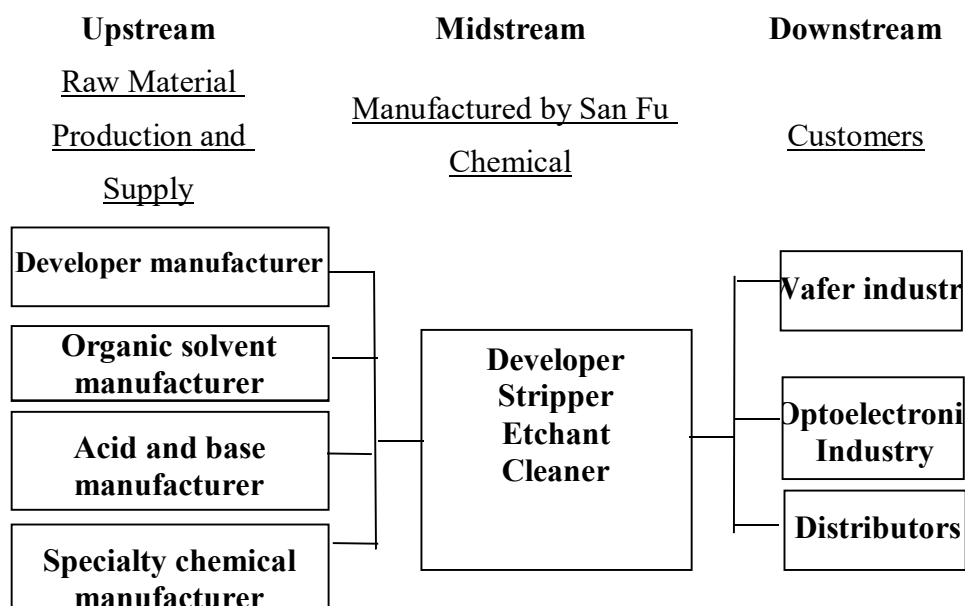
the same sweetness as sugar but does not contain compounds with the same caloric value. It is 30 to 8000 times sweeter than sugar. As a result, products that are manufactured with it have much fewer calories than those products made with cane sugar. Commonly used as a substitute for corn syrup and cane 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.

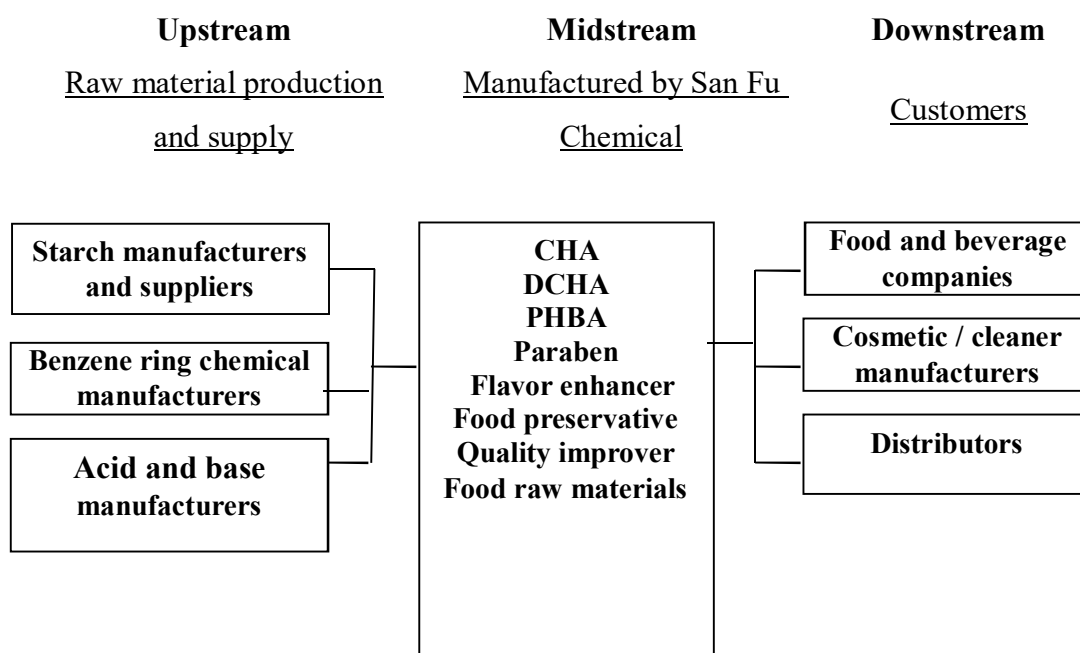
2. Industry upstream, midstream and downstream relationship

(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 epidemic raging around the world in 2021, mainstream activities such as home office, remote teaching, and housing economy have given a strong recovery momentum of the panel industry. Studies show that Taiwan's annual output has reached NT\$ 1.402 trillion, an increase of 23% from the impact of the US-China trade war in 2020. Among them, the growth of large panels (10 inches and above) has become the main source of contribution to the panel industry mainly due to the rising demand for the housing economy and long-distance business opportunities, which stimulates the

price and volume of large panels such as IT and TV, which is the main source of contribution to the growth of the panel industry. However, small and medium panels (under 10 inches) dropped due to the decline in the mobile phone panel market, and the US ban on Mainland's orders, resulting in an increase of the decline in the second half of the year.

(B) Semiconductor industry

Facing the impact of the epidemic and geopolitical situation in 2021, the global semiconductor industry is growing in an opposite direction against the trend compared to other industries. Taiwan's performance is outstanding. Researches indicated that the total annual output value of the relevant Taiwan's IC industry exceeded NT\$ 4 trillion an annual increase of 26%. Taiwan surpasses Vietnam and South Korea/Japan, ranking second in the world, and second only to the United States. Among them, the wafer foundry accounts for 75% of the global market, and the packaging and testing market accounts for 58%.

Wafer manufacturing accounts for the largest amount of the above amount of NT\$1.94 trillion, of which the leading TSMC's 3nm is expected to be mass-produced in August this year, and the more advanced 2nm layout has also been planned to be built in Baoshan, Hsinchu.

Researchers predict that with the popularization of vaccines and the opening of the economy and the gradual recovery, the semiconductor market will have another growth of 20% in 2022, and will continue to play an important role of driving the growth of semiconductors in the areas of 5G mobile phones and 5G infrastructure, electric vehicles, IoT, cloud technology, and AI chips.

(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\$

Year Item	2021	2020	Jan – Mar 2022
R&D expenditures	38,615	40,907	11,524
Revenue	4,779,885	3,818,716	1,652,612
R&D expenditures as a percentage of revenues	0.81%	1.07%	0.70%

2. Successfully Developed Technologies or Products in Recent years:

Year	R&D Accomplishments
2011	1. Develop new distillation process for DCHA 2. Apply low-permeability ion exchange film in the process
2012	Recycle hydroxybenzoic acid from recycled waste solution
2013	1. Jointly developed copper process stripper with major LCD panel manufacturers 2. Raise yield with PMI polymerization inhibitor 3. Developed high quality new process for waste TMAH solution recovery
2014	1. Develop new process for DCHA 2. Developed hydrogenated benzoic acid product
2015	1. Trial production of new DCHA process 2. Increased TMAH electrolysis current efficiency
2016	1. Developed TMAH electrolysis method to recover TMAH 2. Developed high selectivity catalytic hydrogenation
2017	1. Optimized electrolysis method for recovery and remanufacture of TMAH to reach LCD grade 2. Developed high purity benzoic acid hydrogenation process

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

(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\$

Year Sales region	2021		2020	
	Net Sales	Percent of Net Sales	Net Sales	Percent of Net Sales
Asia	4,637,021	97.01%	3,722,651	97.49%
America	139,697	2.92%	34,795	0.91%
Other	3,167	0.07%	61,270	1.60%
Total	4,779,885	100.00%	3,818,716	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 on 2021, under the impacts of the COVID-19 epidemic and the US-China trade war, the issue of international net-zero carbon emissions and the power curtailment crisis in China affected the development of the industry and the price quotation of crude oil. Researches point out that the announced average international crude oil price in 2021 falls within the range of US\$68~71/barrel, which is much higher than the average price of international crude oil in 2020 at US\$39-42/barrel. The rise in crude oil has also boosted the average selling price of specialty chemicals.

In 2021, the revenue of specialty chemicals showed a quarter-by-quarter growth. Researches point out that the total output value of specialty chemicals in

Taiwan in 2021 was estimated to be NT\$355.8 billion with an overall increase of about 17% over 2020. It is estimated that in 2022, due to the outbreak of the geopolitical Ukrainian-Russian war, the oil price has exceeded NT\$100, accompanied by trends such as low carbon emissions, low toxicity, and eco-friendliness. The research estimates that the output value of Taiwan's specialty chemicals in 2022 is NT\$369.6 billion with an estimated increase of more than 3% and a decrease over the last year.

The company's precision chemicals business is still in the stage of operation expansion. In response to the continuous growth of operation, the company has built a new plant in Liuying Science and Technology Industrial Zone in Tainan, completed phase I/II and started to produce specialty chemicals. With completion of Phase II in 2018, the company will focus on the research and development of chemical materials and the expansion of product lines in the years to come. Besides specialty chemicals, circular economy has become a major development model worldwide and serves as a major development direction for San Fu. As this new concept is introduced into the production and manufacturing processes for basic necessities, it will bring a green transformation to specialty chemicals so San Fu will continue to make progress in our waste solution recovery and reuse project development.

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

(A) Growth in fine chemical downstream application industry

As global optoelectronics and green energy industries continue to grow, there is high development potential for the overall industry. TFT-LCD, semiconductor, green energy are the pillars supporting the Company's fine chemical growth.. The output value of Taiwan's flat-panel display industry will return to the trillion-dollar club in 2021. Although from the third quarter of 2021, with the popularization of vaccines, people will reduce the time of watching TV and the panel production capacity has also increased, the demand for flat-panel displays has gradually weakened, and the price of panel starts dropping. However, there are still good niches. If the demand for electronic shelf labels is expected to be strong in the future, it will drive the growth of the electronic paper market; and panel manufacturers are also actively transforming, and by providing complete solutions, they are striving to cut into the automotive industry, metaverse, medical and other application markets. Based on the foregoing advantages and disadvantages of supply and demand, the research predicts that

Taiwan's panel output value in 2022 will be revised down to NT940.8 billion with a decrease of 9.5%.

The global semiconductor market is divided up based on product applications. Spurred along by growth in IoT, 5G, automotive electronics, AR / VR 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 2021.

(B) Taiwan is a key production site for downstream application industries

According to data released by IDC, the revenue of the global semiconductor material market will grow by 15.9% in 2021, reaching USD 64.3 billion, surpassing the record of USD 55.5 billion set in 2020. It is also estimated that other new records will be made in 2022. Taiwan's large-scale wafer foundry and packaging bases have made Taiwan the world's largest semiconductor material consumer market for 12 consecutive years.

The total amount reached USD 14.7 billion. In addition to TSMC, UMC, Winbond, Powerchip, and ASE actively expanding their factories in recent years, international electronic material manufacturers including ADEKA, MERCK, and ENTEGRIS are also interested in the subsequent growth of Taiwan's semiconductors and investing capital to expand factories to attract talented people.

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 meal 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:

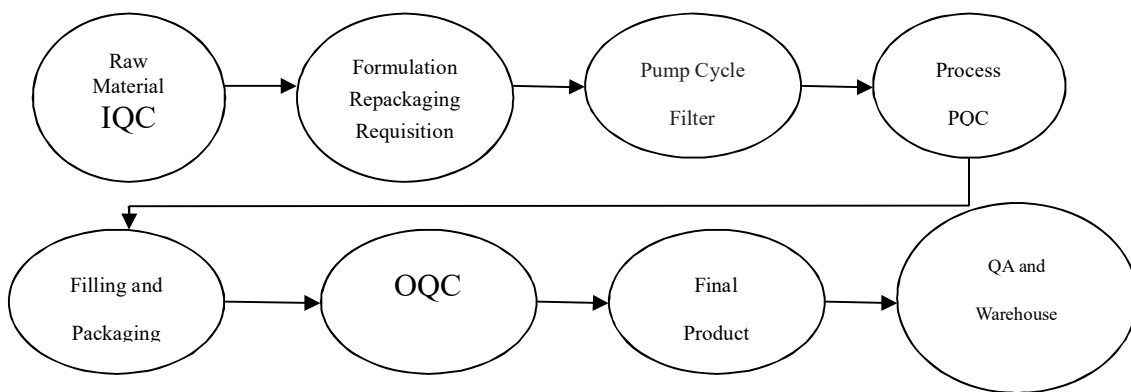
A. Food additives: Necessary for food manufacturing and processing

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

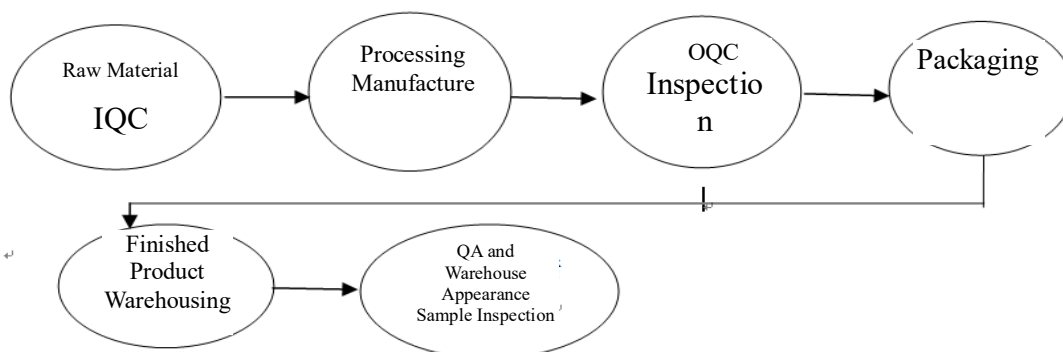
C. Food raw materials: Used in the production process for processed foods.

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	2021				2020				2022Q1			
	Name	Amount	%	Relation with issuer	Name	Amount	%	Relation with issuer	Name	Amount	%	Relation with issuer
1	Company A	1,585,864	33.18	None	Company A	1,088,535	28.51	None	Company A	604,708	36.59	None
2	Company B	533,955	11.17	None	Company B	478,761	12.54	None	Company B	170,320	10.31	None
3	Other	2,660,066	55.65		Other	2,251,420	58.96		Other	877,584	53.10	
-	Net sale amount	4,779,885	100.00		Net sale amount	3,818,716	100.00		Net sale amount	1,652,612	100.00	

There was no significant change in major sales customers in 2021 and 2022.

2. Major suppliers

Unit: Thousand NT\$

Item	2021				2020				2022Q1			
	Name	Amount	%	Relation with issuer	Name	Amount	%	Relation with issuer	Name	Amount	%	Relation with issuer
1	Other	3,175,513	100.00	None	Other	2,239,752	100.00	None	Supplier A	129,972	13.39	None
-	Purchase	3,175,513	100.00	-	Purchase	2,239,752	100.00	-	Supplier B	105,965	10.92	None
									Other	734,548	75.69	None
									Purchase	970,485	100.00	

(5) Production Value over Recent Two Years

Unit: Tons / Thousand NT\$

Year Amount/value Major product (or by department)	2021			2020		
	Capacity	Production amount	Production value	Capacity	Production amount	Production value
Fine chemicals	40,448	38,485	1,336,115	38,584	37,567	1,039,105
Basic chemicals	6,983	6,057	505,803	8,241	5,578	424,122
Total	47,431	44,542	1,841,918	46,825	43,145	1,463,227

(6) Sales Volume and Value over Recent Two Years

Unit: Tons / Thousand NT\$

Year Amount/value Major product (or by department)	2021				2020			
	Domestic		Export		Domestic		Export	
	Amount	Value	Amount	Value	Amount	Value	Amount	Value
Fine chemicals	67,225	3,482,556	1,534	165,115	67,821	3,107,040	605	47,719
Basic chemicals	19,003	634,752	5,404	497,462	10,492	305,992	4,952	357,965
Total	86,228	4,117,308	6,938	662,577	78,313	3,413,032	5,557	405,684

3. Employees

Unit: Persons; Year

Year		2020	2021	As of May 11, 2022
Number of Employees	Management	52	55	55
	Support staff	300	312	348
	Total	352	367	403
Average Age		39	41	41.86
Average Years of Service		9.5	10.5	9.71
EDUCATION	Doctorate	0.6%	0.82%	0.74%
	Masters	19.3%	19.35%	18.61%
	University	56%	57.22%	59.55%
	High School (Vocational)	22.2%	20.98%	19.60%
	Below high school (vocational)	2.2%	1.63%	1.49%

4. Environmental Protection Expenditures

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

Year Item	2021	2020	As of May 11, 2022
Date	2021.03.12	1. 2020.5.20 2. 2020.11.26 3. 2020.12.02	111.03.18
Penalty No.	Huan Ji Zhi No. 1100023201	Huan Ji Zhi No. 1090056251 Huan Ji Zhi No. 1090139928 Huan Ji Zhi No. 1090142478	Kaohsiung City Environmental Bureau Ji Zhi No. 11131879100

Regulation Violated	Violation of Paragraph 1 of Article 7 of the Water Pollution Control Act and Article 2 of the Chemical Industry Effluent Standard	1. Violated Article 31(1)(2) of Waste Disposal Act 2. Violated Article 23(1) of Air Pollution Control Act 3. Violated Article 18(1) of Water Pollution Control Act and Article 16, Item 1 of the Measures for the Administration of Water Pollution Prevention and Control and Testing and Declaration	Punished according to the violation of the regulations of Article 20(1) of Air Pollution Control Act and Article of Air Pollutant Emission Standards for Stationary Pollution Sources
Content of Violation	(Note 1)		
Fine	NTD189,000	1.NTD6,000 2.NTD300,000 3.NTD10,000	NTD960,000

(Note 1) Contents of violation of regulations:

2020.5.20: The results of the cross-check between the Environmental Protection Administration of the Executive Yuan and the Environmental Protection Administration's Industrial Waste Declaration and Management Information System show that the quantity of waste D-0902 (inorganic sludge) produced by Shanhua factory monthly from September 2019 to November 108 and declared in the form does not match with the storage quantity.

2020.11.26: After the Environmental Protection Bureau sent personnel to carry out the joint inspection of Daxinying, the PH meter of the air pollution control equipment/washing tower (A001) monitoring instrument of the basic chemical material manufacturing process (M01) was unable to display the value, so the effective monitoring could not be carried out.

2020.12.02: The Environmental Protection Bureau sent personnel to inspect and found that the production, storage, and transportation of pharmaceuticals (PAC and Polymer) and sludge used in the company's wastewater pre-treatment facilities were not recorded on a monthly basis as required.

2021.03.12 : The Environmental Protection Bureau sent personnel to inspect and took a group of water samples from the discharge port of the company's Shanhua factory for inspection. The inspection result showed that the suspended solids test value was 41.5mg/L, and the standard value was 30mg/L, which failed to meet the chemical industry discharge water standard.

2022.03.18 : The Environmental Protection Bureau, together with the inspection company, sent staff to the Kaohsiung factory to collect a representative sample of odorous pollutants from the discharge outlet of the fixed pollution source. The detected value of the detected odorous pollutants was 17,400, which has exceeded the standard value 2000 of the "Fixed pollution source air pollutant emission standard". Pollutant "discharge pipeline"

(2) Estimated dollar amount and countermeasures of these incidents that may occur at present and in the future: Since the company may incur penalties in the future, the amount determined by the competent authority based on the actual situation of the penalty cannot be reasonably estimated; the countermeasures are the preparation of the company's current ESG report. The environmental protection requirements (such as air pollution, wastewater treatment, waste classification and reduction, etc.) are more strictly controlled, and in the future, stricter energy conservation and carbon reduction, and green environmental protection work will be implemented to reduce the 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. During the year of 2021 (the COVID-19 pandemic period), management training was given through online training courses in addition to face-to-face teaching courses, and the Human and Resources Department planned and designed online teaching materials to achieve the purpose of learning.

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:

			Male	Female	Total
Management	Actual number of people during reporting period		46	4	50
	Hours of training received during the reporting period		123	49	172
	Average hours of training received during the reporting period		267	12.25	3.44
Non-management	Actual number of people during reporting period		249	68	317
	Hours of training received during reporting period		1934	340.5	2274.5
	Average hours of training received during the reporting period		7.77	5.01	7.18
Total		No.	295	72	367
		Hrs	2057	389.5	2446.5
Total number of employees at the end of the reporting period		No.	295	72	367
Average hours of training received by each employee		Hrs	6.97	5.41	6.67

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 2021 period, the effectiveness of e-learning platform can be divided into three parts:

- (1) Online new employee training: a total of 25 sessions, that is, to save the time cost of internal lecturer face-to-face teaching, a total of 200 hours.
- (2) Online face-to-face courses: there are 15 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. .

- (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.

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

The pension system under the Labor Pension Statutes was implemented on July 1, 1995. The Company inquires whether its workers wish to join the old or new pension system, processes the years of service from the old system, performs new system reporting and pension contribution work in accordance with regulations. Each month, 6% of each worker's wages is contributed in accordance with Labor Pension Statutes regulations. The Company's pension payment standard is handled in accordance with Article 55 of the Labor Standards Act and Labor Pension Statutes. The Company has drafted employee pension procedures in accordance with law. Employee years of service and pensions are calculated in accordance with Article 55 of the Labor Standards Act.

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 to protect employee rights and interests of employees

1. Employee rights and interests: The company regularly holds labor-management meetings, and the management team encourages employees to express their opinions and communicate with the management to create a win-win situation. Employee welfare committee also regularly holds conference and actively conducts various employee welfare activities, in order to provide a full range of welfares from employees to their families.

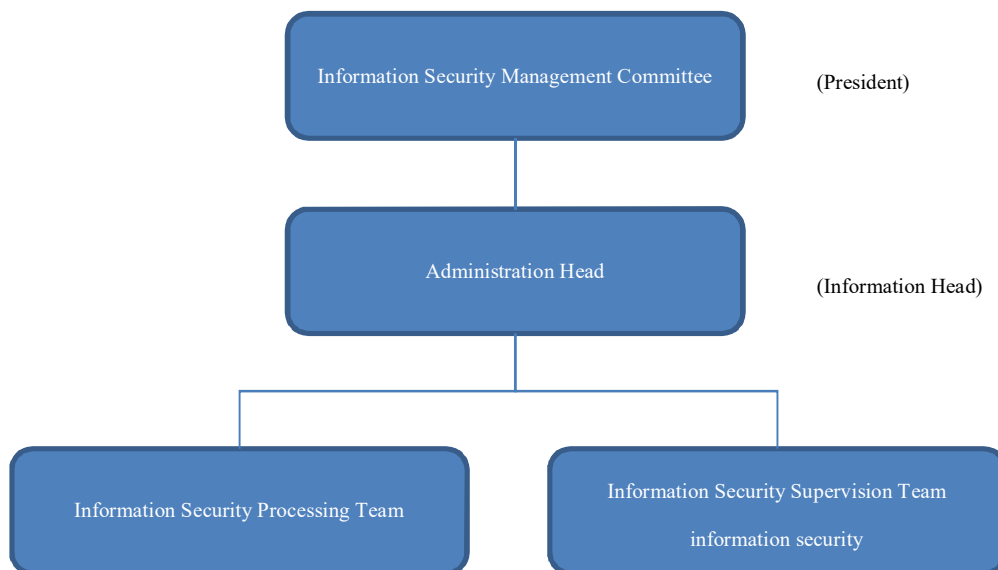
2.. Employee care: Department heads of the company hold regular safety and environmental protection meeting every month to establish a good communication atmosphere in different departments. If there is emergency, the human resources unit or the resident nurse will be notified to provide assistance and care immediately. There are also an employee complaint mailbox, a complaint hotline and e-mail. If a complaint is received, the complaint will be confidentially investigated and reviewed according to the company's system, and handled to provide a result of response.

(4) 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	
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 affects 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 information security incidents: In the most recent year and as of the publication date of the annual report, there were no material information security incidents that caused losses to the company or affected the company's goodwill.

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, 2021
		2017	2018	2019	2020	2021	
Current Assets		1,881,026	2,075,407	1,934,710	2,648,020	3,462,476	3,762,663
Financial assets carried at cost, available for sale financial assets and investments accounted for using the equity method		577,191	530,155	529,595	562,554	543,239	586,945
Property, Plant and Equipment		1,386,159	1,659,639	1,446,980	1,776,610	2,278,099	2,479,017
Intangible Assets		-	-	140,496	141,430	137,211	132,827
Other Assets		76,137	112,821	173,814	255,810	154,551	138,776
Total Assets		3,920,513	4,378,022	4,225,595	5,384,424	6,575,576	7,100,228
Current Liabilities	Before distribution	872,282	1,194,983	975,811	1,310,449	2,206,398	2,734,835
	After distribution	1,108,118	1,439,889	1,202,576	1,511,861	Note 2	3,036,962
Noncurrent Liabilities		80,068	59,520	93,809	281,316	192,589	119,494
Total Liabilities	Before distribution	952,350	1,254,503	1,069,620	1,591,765	2,398,987	2,854,329
	After distribution	1,188,186	1,499,409	1,296,385	1,793,177	Note 2	3,156,456
Equity Attributable to Shareholders of the Parent Company		2,968,163	3,123,519	3,155,975	3,792,659	4,144,703	4,213,101
Capital Stock		907,060	907,060	907,060	1,007,060	1,007,060	1,007,060
Capital Surplus		654,332	662,323	670,626	1,056,191	960,750	963,750
Retained Earnings	Before distribution	1,397,087	1,560,578	1,634,582	1,832,756	2,301,687	2,326,278
	After distribution	1,161,251	1,315,672	1,407,817	1,631,344	Note 2	2,024,151
Exchange Differences on Translation of Financial Statements		-15,942	-28,476	-68,651	-127,821	-90,099	-48,006
Unrealized Gain or Loss on Financial Instrument		25,626	-	-	-	-	-
Measured at fair value through other comprehensive income		-	22,034	12,358	24,473	-34,695	-35,981
Non-controlling Interests		-	-	-	-	31,886	32,798
Total Equity	Before distribution	2,968,163	3,123,519	3,155,975	3,792,659	4,176,589	4,245,899
	After distribution	2,732,327	2,878,613	2,929,210	3,591,247	Note 2	3,943,772

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

(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, 2022
	2017	2018	2019	2020	2021	
Net Revenue	3,979,248	4,049,356	3,936,381	3,818,716	4,779,885	1,652,612
Gross Profit (Loss)	791,686	760,355	686,856	861,104	1,195,105	519,448
Income (Loss) from Operations	473,810	412,968	338,636	470,903	721,492	361,093
Non-operating Income and Expense	1,686	81,288	38,329	31,317	107,908	45,886
Income before Income Tax	475,496	494,256	376,965	502,220	829,400	406,979
Income from Continuing Operation	386,475	397,732	324,475	399,473	672,710	327,621
Loss from Discontinued Operation	-	-	-	-	-	-
Net Income	386,475	397,732	324,475	399,473	672,710	327,621
Other Comprehensive Income	-21,360	-27,410	-55,416	-48,801	-24,746	40,807
Total Comprehensive Income for the Year	365,115	370,322	269,059	350,672	647,964	368,428
Net Income Attributable to Shareholders of the Parent Company	386,475	397,732	324,475	399,473	673,643	326,709
Net Income Attributable to Noncontrolling Interests	-	-	-	-	-933	912
Total Comprehensive Income Attributable to Shareholders of the Parent Company	365,115	370,322	269,059	350,672	648,897	367,516
Total Comprehensive Income Attributable to Noncontrolling Interests	-	-	-	-	-933	912
Earnings per Share	4.26	4.38	3.58	4.36	6.69	3.24

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)				
		2017	2018	2019	2020	2021
Current Assets		1,788,551	1,854,822	1,804,099	2,316,628	2,955,555
Financial assets carried at cost, available for sale financial assets and investments accounted for using the equity method		669,396	898,077	923,069	1,452,102	1,972,393
Property, Plant and Equipment		1,385,988	1,497,215	1,278,879	1,225,180	1,159,071
Intangible Assets		0	0	72,228	57,252	57,045
Other Assets		75,987	42,597	71,027	136,278	145,835
Total Assets		3,919,922	4,292,711	4,149,302	5,187,440	6,289,899
Current Liabilities	Before distribution	871,691	1,109,672	899,518	1,128,049	1,968,464
	After distribution	1,107,527	1,354,578	1,126,283	1,329,461	Note 2
Noncurrent Liabilities		80,068	59,520	93,809	266,732	176,732
Total Liabilities	Before distribution	951,759	1,169,192	993,327	1,394,781	2,145,196
	After distribution	1,187,595	1,414,098	1,220,092	1,596,193	Note 2
Equity Attributable to the Shareholders of the Parent		2,968,163	3,123,519	3,155,975	3,792,659	4,144,703
Capital Stock		907,060	907,060	907,060	1,007,060	1,007,060
Capital Surplus		654,332	662,323	670,626	1,056,191	960,750
Retained Earnings	Before distribution	1,397,087	1,560,578	1,634,582	1,832,756	2,301,687
	After distribution	1,161,251	1,315,672	1,407,817	1,631,344	Note 2
Exchange Differences on Translation of Financial Statements		-15,942	-28,476	-68,651	-127,821	-90,099
Unrealized gain or loss on financial instrument		25,626	-	-	-	-
Equity instrument investment interests measured at fair value through other comprehensive profit and loss		-	22,034	12,358	24,473	-34,695
Non-controlling Interests		-	-	-	-	-
Total Equity	Before distribution	2,968,163	3,123,519	3,155,975	3,792,659	4,144,703
	After distribution	2,732,327	2,878,613	2,929,210	3,591,247	Note 2

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

(4) Condensed Statement of Comprehensive Income - Unconsolidated

Unit: Thousand NT\$

Item	Financial information for most recent five years (Note 1)				
	2017	2018	2019	2020	2021
Net Revenue	3,963,856	4,028,591	3,840,853	3,616,758	4,481,607
Gross Profit (Loss)	785,289	752,896	678,379	827,071	1,146,036
Income (Loss) from Operations	474,161	411,143	358,652	478,683	746,532
Nonoperating Income and Expenses	1,335	83,113	17,918	16,754	73,757
Income before Income Tax	475,496	494,256	376,570	495,437	820,289
Income from Continuing Operation	386,475	397,732	324,475	399,473	673,643
Loss from Discontinued Operation	-	-	-	-	-
Net Income	386,475	397,732	324,475	399,473	673,643
Other comprehensive income	-21,360	-27,410	-55,416	-48,801	-24,746
Total comprehensive income for the period	365,115	370,322	269,059	350,672	648,897
Basic earnings per share	4.26	4.38	3.58	4.36	6.69

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
2017	Deloitte Taiwan	Hsu Hsiu-Ming, Lin Shu-Wan,	Unqualified opinion
2018	Deloitte Taiwan	Hsu Hsiu-Ming, Wong Ya-Ling	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 conclusion

2. Five-Year Financial Analysis:

(1) Financial Analysis

(1) Consolidated statement

Item \ Year		Financial information for most recent five years (Note 1)					As of March 31, 2022
		2017	2018	2019	2020	2021	
Financial Structure (%)	Debt to assets ratio	24.29	28.65	25.31	29.56	36.48	40.20
	Long-term capital to property, plant and equipment ratio	219.9	191.79	224.59	229.31	191.79	176.09
Liquidity Analysis (%)	Current ratio	215.64	173.68	198.27	202.07	156.93	137.58
	Quick ratio	163.96	116.42	146.7	165.34	112.15	96.96
	Interest coverage ratio (times)	179.02	140.94	52.46	73.47	91.73	134.52
Operating Performance	Receivables (times)	3.63	3.67	3.84	3.66	3.55	3.97
	Accounts receivable collecting days	100	99	95	100	103	92
	Inventory turnover (times)	7.80	6.92	6.51	6.98	6.44	6.14
	Average inventory turnover days	46	53	56	52	57	59
	Payables turnover (times)	8.41	8.96	11.31	12.51	9.45	10.14
	Property, plant and equipment turnover (times)	3.09	2.66	2.53	2.37	2.36	2.78
	Total assets turnover (times)	1.05	0.98	0.92	0.79	0.80	0.97
Profitability	Return on assets (%)	10.23	9.65	7.68	8.43	11.37	19.31
	Return on equity (%)	13.54	13.06	10.33	11.5	16.88	31.12
	Pre-tax profit to paid-in capital ratio (%)	52.42	54.49	41.56	49.87	82.36	161.65
	Net margin (%)	9.71	9.82	8.24	10.46	14.07	19.82
	Earnings per share	4.26	4.38	3.58	4.36	6.69	3.24
Cash Flow	Cash flow ratio (%)	53.19	32.26	58.84	65.25	13.00	9.73
	Cash flow adequacy (%)	103.56	96.9	97.17	96.76	68.14	62.57
	Cash flow reinvestment ratio (%)	6.34	2.89	6.01	9.73	-0.22	3.88
Leverage	Operating leverage	2.43	2.77	3.23	2.89	1.99	1.63
	Financial leverage	1.01	1.01	1.02	1.01	1.01	1.01

Explain the reasons for 20% changes in the financial ratios in 2021 and 2020

1. Debt Ratio	Mainly due to the increase in total liabilities in the current period
2. Current Ratio	Mainly due to the increase in current liabilities in the current period which is greater than the increase in current assets. The net profit before tax is increased over the last year, so that this ratio is increased.
3. Quick Ratio	Mainly due to the increase in current liabilities in the current period which is greater than the increase in quick assets. The net profit before tax is increased over the last year, so that this ratio is increased.
4. Interest coverage ratio	Mainly due to the increase in net profit before tax in the current period.
5. Turnover rate of accounts payable	Mainly due to the increase in the balance of accounts payable at the end of the current period affecting the average balance of payables in the denominator
6. Return on asset	Mainly due to the increase in net profit after tax in the current period
7. Return on equity	Mainly due to the increase in net profit after tax in the current period.

8. 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
9. Net interest rate after tax	Mainly due to the increase in net profit after tax in the current period
10. Earnings per share	Mainly due to the increase in profit and loss attributable to owners of the parent company in the current period.
11. Operating cash to current liabilities ratio	Mainly due to the decrease in net cash flow from operating activities and the increase in current liabilities in the current period.
12. Net cash flow fair ratio	Mainly due to the net cash flow from operating activities in the last five years which has decreased compared with the base period of the previous year, and the inventory in the last five years which has increased compared with the base period of the previous year.
13. Cash reinvestment ratio	Mainly due to the net cash flow from operating activities in this year is less than cash dividends, resulting in a negative number.

(2) Unconsolidated statement

Item		Year	Financial information for most recent five years (Note)				
			2017	2018	2019	2020	2021
Capital Structure Analysis (%)	Debts Ratio		24.28	27.24	23.94	26.89	34.11
	Long-Term Fund to Property, Plant and Equipment		219.93	212.6	254.11	331.33	372.84
Liquidity Analysis (%)	Current Ratio		205.18	167.15	200.56	205.37	150.15
	Quick Ratio		154.39	109.41	151.19	168.62	105.84
	Interest coverage ratio (Times)		179.02	140.94	62.85	88.49	110.93
Operating Performance Analysis	Receivables turnover (times)		3.62	3.66	3.62	3.43	3.44
	Accounts receivable collecting days		101	100	101	106	106
	Inventory turnover (times)		7.91	7.05	6.75	7.5	6.82
	Average inventory turnover days		46	52	54	49	54
	Payables turnover (times)		8.40	8.92	11.13	13.59	11.25
	Property, plant and equipment turnover (times)		3.08	2.79	2.77	2.89	3.76
	Total assets turnover (times)		1.04	0.98	0.91	0.77	0.78
Profitability Analysis	Return on Assets (%)		10.23	9.75	7.8	8.65	11.84
	Return on Equity (%)		13.54	13.06	10.33	11.5	16.97
	Pre-tax Income to Paid-in Capital Ratio (%)		52.42	54.49	41.52	49.2	81.45
	Net margin (%)		9.75	9.87	8.45	11.05	15.03
	Earnings per Share		4.26	4.38	3.58	4.36	6.69
Cash Flow	Cash Flow Ratio (%)		53.25	38.23	54.12	78.09	11.84
	Cash Flow Adequacy Ratio (%)		98.70	99.42	100.61	111.54	84.52
	Cash Flow Reinvestment Ratio (%)		6.35	3.64	4.49	10.33	-1.01
Leverage	Operating Leverage		2.41	2.77	2.99	2.67	1.88
	Financial Leverage		1.01	1.01	1.02	1.01	1.01

Explain the reasons for 20% changes in the financial ratios in 2021 and 2020:

1. Debts Ratio	Mainly due to the increase in total liabilities in the current period
2. Current Ratio	Mainly due to the increase in current liabilities in the current period which is greater than the increase in current assets.
3. Quick Ratio	Mainly due to the increase in current liabilities in the current period which is

	greater than the increase in quick assets.
4. Interest Coverage Ratio (Times)	Mainly due to the increase in net profit before tax this year.
5. Fixed Assets (property, plant and equipment) Turnover ,	Mainly due to the increase in net sales in the current year and the decrease in the average balance of property, plant and equipment compared with the base period of the previous year.
6. Return on Assets	Mainly due to the increase in net profit after tax in the current period.
7. Return on Equity	Mainly due to the increase in net profit after tax in the current period.
8. Ratio of Profit Before Tax to Capital	Mainly due to the increase in net profit before tax in the current period.
9. Profit Margin	Mainly due to the increase in net profit after tax in the current period.
10. Earnings per share	Mainly due to the increase in profit and loss attributable to owners of the parent company in the current period.
11. Operating Cash Flow Ratio	Mainly due to the decrease in net cash flow from operating activities and the increase in current liabilities in the current period.
12. Net Cash Flow Adequacy Ratio	Mainly due to the net cash flow from operating activities in the last five years which has decreased compared with the base period of the previous year, and the inventory in the last five years which has increased compared with the base period of the previous year.
13. 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 2021 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.

2022 Shareholders' Meeting of San Fu Chemical Co., Ltd.

Audit Committee Convener: Li Zhong-Xi



March, 2022

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 187-258.
5. Consolidated financial statement for the parent company and its subsidiaries for the most recent fiscal year, certified by a CPA: Refer to page 118-186.
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	2021	2020	Difference	
			Amount	%
Current assets	3,462,476	2,648,020	814,456	30.76%
Financial assets carried at cost, available for sale financial assets and investments accounted for using the equity method	543,239	562,554	-19,315	-3.43%
Property, Plant and Equipment	2,278,099	1,776,610	501,489	28.23%
Intangible Assets	137,211	141,430	-4,219	-2.98%
Other Assets	154,551	255,810	35,952	14.05%
Total Assets	6,575,576	5,384,424	1,191,152	22.12%
Current Liabilities	2,206,398	1,310,449	895,949	68.37%
Noncurrent Liabilities	192,589	281,316	-88,727	-31.54%
Total Liabilities	2,398,987	1,591,765	807,222	50.71%
Capital Stock	1,007,060	1,007,060	-	0.00%
Capital Surplus	960,750	1,056,191	-95,441	-9.04%
Retained Earnings	2,301,687	1,832,756	468,931	25.59%
Others	-124,794	-103,348	-21,446	20.75%
Total Shareholder Equity	31,886	-	31,886	0.00%

Explanation of Major Changes

1. The increase in current assets was mainly due to the increase in accounts receivable and inventories of NT\$ 450 million and NT\$ 330 million respectively this year
2. The increase in property, plant and equipment was mainly due to the addition of NT\$ 300 million in unfinished projects this year, the increase of NT\$ 90 million in machinery and equipment, and the acquisition of land by the merged enterprise of NT\$ 100 million.
3. The increase in current liabilities was mainly due to an increase of NT\$ 340 million in short-term loans, an increase of NT\$ 250 million in accounts payable and an increase of NT\$ 160 million in other payables.
4. The decrease in non-current liabilities was mainly due to the decrease in long-term loans of NT\$ 90 million.
5. The increase in retained earnings was due to the year's net profit of 670 million and the distribution of cash dividends of 200 million.
6. The increase in other equity losses was mainly due to the failure to improve the profitability of Global Graphene Group in the current year's assessment, and recognized the unrealized assessment loss of financial assets measured at fair value through other comprehensive gains and losses of NT\$ 50 million.

2. Financial Performance

(1) Financial Performance Comparison and Analysis

Unit: Thousand NT\$

Item \ Year	2021	2020	Difference	(%)
Total Revenue	4,779,885	3,818,716	961,169	25.17%
Less: Cost of Revenue	3,584,780	2,957,612	627,168	21.21%
Gross Profit	1,195,105	861,104	334,001	38.79%
Income from Operations	721,492	470,903	250,589	53.21%
Non-operating Income and Expenses	107,908	31,317	76,591	244.57%
Income before Income Tax	829,400	502,220	327,180	65.15%
Less: Income Tax Expenses	-156,690	-102,747	-53,943	52.50%
Net Income	672,710	399,473	273,237	68.40%
Other Comprehensive Income	-24,746	-48,801	24,055	-49.29%
Total Comprehensive Income for the Year	647,964	350,672	297,292	84.78%

(1). Analysis of ratio increases or decreases in the last two years:

1. . The increase in operating income was due to the increase new product sales and the adjustment of sale price in response to the increase in the cost of raw materials.
 2. The increase in operating 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 and the impact of the increase in ocean freight rates this year.
 4. The increase in non-operating income was attributable to the income from reinvestment in Mainland China and the recognition of Lifu investment this year.
 5. The increase in income tax expenses was due to the increase in net profit before tax
 6. The increase in other comprehensive gains and losses was caused by the rise in exchange rates affecting foreign operating organizations' financial statements and exchange gains.
- (2). Please refer to the "Report to Shareholders" for the expected sales volume and its basis, possible impacts on the company's future financial business and response plans.

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
794,606	286,761	(526,607)	(3,397)	1,403	552,766

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 by invest Activities in the Year	Cash inflow by loan Activities in the Year	Cash Balance (Shortfall)	Remedy for Liquidity Shortfall	
					Investment Plan	Financing Plan
552,766	851,753	(722,000)	500,000	1,182,519	-	-

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

Cash outflow analysis: The increase in cash outflow is mainly caused by the increase of investment capital in INTERNATIONAL NITTO TECHNOLOGY CO., LTD., the shareholders' dividends, and the payment of debts.

Note: There is no shortage of cash liquidity in the company

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 12/31/2021

Unit: Thousand NT\$

Item	Description	2021 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)	81,326	100.00	This company's profits are considered normal.	-	None
	VinaSanFu Industrial Gas Company Limited	(17,443)	100.00	This company's operations are considered normal.	-	None
	VinaSanFu Material Company Limited	(17,883)	100.00	This company's operations are considered normal.	-	None
	San Fu Biotech Co., Ltd.	31,585	93.48	This company's profits are considered normal.	-	None
	International Nitto Technology Co., Ltd.	(15,173)	100.00	This company's operations are considered normal.	---	None
	Horng Cherng Enterprise Co., Ltd.	2,051	50.00	This company's profits are considered normal	-	None
	Li Fu Carbonic Acid Co., Ltd.	(9,837)	87.00	This company's operations are considered normal.	-	None
	Shian Yun Joint Stock Company	(2,820)	33.33	This company's operations are considered normal	-	None
	Shanghai San Fu Ming Electronic Materials Co., Ltd.	165,972	50.00	This company's profits are considered normal	-	None

Item \ Description	2021 profit or (loss) of invested company	Shareholding (%)	Major reason for profit or loss	Improvement plan	Other future investment plans
Sino Star Holding Limited	0	100.00	-	-	None
Fanda International (Samoa) Ltd (Note)	0	41.94	-	-	None

Note: Liquidated in January 2021.

(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 2021 and 2020 were NT\$1,141,000 and NT\$1,266,000 respectively, accounting for 0.14% and 0.25% of the net profit before tax in that year, and the net interest expenses in 2021 and 2020 were NT\$9,141,000 and NT\$6,930,000 respectively, accounting for 1.10% and 1.38% 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.

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 2021 and 2020 were NT\$2,536,000 of exchange gains and NT\$(11,086,000) of exchange losses, accounting for 0.31% and (2.21%) 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\$1,100 million, NT\$107.63 million has been used, so the balance is still NT\$992.37 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\$850 million, NT\$311.75 million has been used, so the balance is NT\$538.25 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 2022 is about NT\$38,000,000. Please refer to the following table for R & D project and plan description:

Recent Annual Plan	Current Progress	Reinvested R&D Funds (Thousand NTS)	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 conductivity in lithium batteries	Design and synthesis of polymer colloidal electrolytes	4,000	End of 2022	Coordination of colloidal electrolyte with the conditions of positive and negative electrode materials and establishment of detection method
Development of the formulation and of recyclable etching solution for LCD copper process and its recycling system	Arrangement for Customer's verification	8,000	End of 2023	The compatibility of the formula formulation and purified resin
Development of release agent for recyclable IC bump process	Already certified by customer, and developing according to customer requirements	6,000	End of 2022	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 and 73 of the annual report for the impact of information security risks on the company's financial business and its 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.

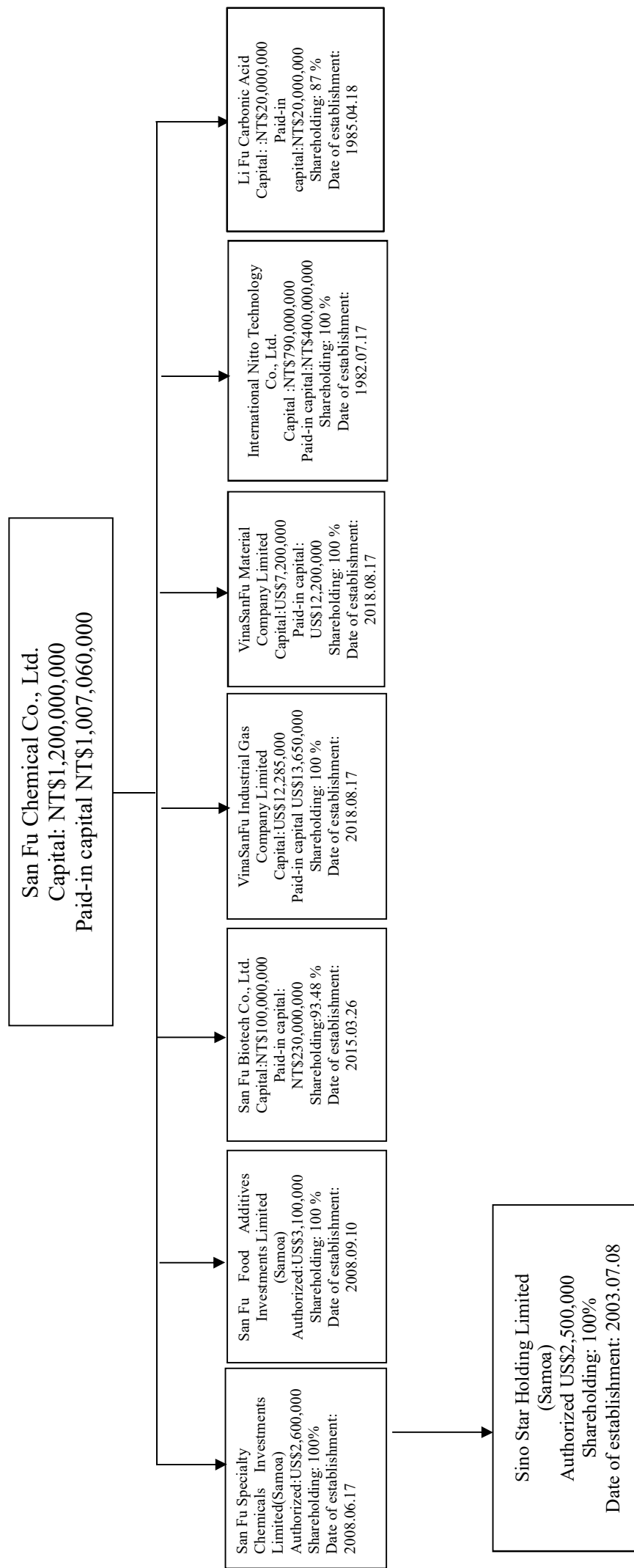
- (12) Litigious and non-litigious matters that could have a major effect on shareholder equity or security prices: No such events have occurred at the Company in 2021 and as of the publication date.
- (13) Other important risks: Besides the related information security risk evaluation performed by the 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

IX. 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%	27.68
Sino Star Holding Limited	2008	Portcullis TrustNet Chambers, P.O.Box 1225, Apia, SAMOA	USD	1,867,838	General investment	100%	27.68
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%	0.0012
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%	0.0012
International Nitto Technology Co., Ltd.	2002	No. 26 Huandong Rd. Sec. 2 Sanhua District, Tainan City Southern Taiwan Science Park	NTD	400,000,000	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

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. and VinaSanFu Material Company Limited: Production and sales of specialty chemicals and electronic chemicals.

2. Lifu Carbonic Acid Co., Ltd. and VinaSanFu Material Company Limited: Production and sales of industrial gases.

3. San Fu Biotech Co., Ltd.: 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	93.48%
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	40,000,000	100%
Li Fu Carbonic Acids Corp.	Director	San Fu Chemical Co., Ltd. Representative –Wu Hsin-Hung	1,740	87%

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.
Currency	USD	USD	NTD	VND	VND	NTD	NTD
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
Total Assets	17,688,980	1,946,390	390,851,148	394,947,001,186	270,691,031,712	471,575,757	28,885,030
Total Liabilities	0	0	122,178,454	98,614,565,911	9,024,217,319	77,694,919	1,179,821
Net Worth	17,688,980	1,946,390	268,672,694	296,332,435,275	261,666,814,393	393,880,838	27,705,209
Operating Revenue	0	0	359,713,309	0	0	0	104,658
Net Income	2,903,567	11	37,539,078	0	0	(24,471,552)	(9,890,022)
Profit & loss current period (after tax)	2,903,567	11	31,585,399	(15,102,134,639)	(15,483,322,912)	(14,035,324)	(9,837,384)
Earnings per share	1.24	0.00	2.37	-(Note 1)	-(Note 1)	(0.35)	(4,918.69)

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 2021 (January 1, 2021 to December 31, 2021) 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. Other significant events affecting shareholders' equity or stock price as defined in Article 36-3-2 of the Securities and Exchange Act: 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, 2021, 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

Dated: March 04, 2022

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, 2021 and 2020, 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, 2021 and 2020, 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. 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, 2021. 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.

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

The key audit matter of the Company's consolidated financial statements for the year ended December 31, 2021 is as follow:

Measurement of Inventories

Inventories amounted to 11% (NT\$ 719,825 thousand) of the Company's consolidated total assets as of December 31, 2021. Please refer to Notes 4 and 10 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.
3. We obtained the inventory aging table prepared by the management, and inspected supporting documents of recent sales, purchases and picking lists of selected samples to evaluate the accuracy of the inventory aging table.

Other Matter

We have also audited the standalone financial statements of San Fu Chemical Co., Ltd. as of and for the years ended December 31, 2021 and 2020 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.

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

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.

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

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, 2021 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 04, 2021

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

**CONSOLIDATED BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan Dollars)**

Code		2021		2020	
	ASSETS				
	CURRENT ASSETS	Amount	%	Amount	%
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 552,766	8	\$ 794,606	15
1136	Financial assets at amortized cost-current (Notes 4 and 8)	233,472	4	233,792	4
1140	Contract asset - current (Notes 4 and 20)	8,200	-	8,730	-
1150	Notes receivable, net (Notes 4 and 9)	56,633	1	43,521	1
1170	Accounts receivable, net (Notes 4 and 9)	1,504,822	23	1,050,565	20
1180	Receivable from related parties (Notes 4 and 30)	19,627	-	9,590	-
130X	Inventories (Notes 4 and 10)	719,825	11	393,477	7
1410	Prepayments	268,126	4	87,893	2
1470	Other current assets	<u>99,005</u>	<u>2</u>	<u>25,846</u>	-
11XX	Total current assets	<u>3,462,476</u>	<u>53</u>	<u>2,648,020</u>	<u>49</u>
	NONCURRENT ASSETS				
1517	Financial asset at fair value through other comprehensive income - noncurrent (Notes 4 and 7)	86,912	1	157,471	3
1550	Investments accounted for using the equity method (Notes 4 and 12)	456,327	7	405,083	8
1560	Contract asset - noncurrent (Notes 4 and 20)	-	-	5,941	-
1600	Property, plant and equipment (Notes 4 and 13)	2,278,099	35	1,776,610	33
1755	Right-of-use asset (Notes 4 and 14)	137,211	2	141,430	3
1840	Deferred tax assets (Notes 4 and 22)	34,784	-	26,916	-
1915	Prepayments for equipment	113,951	2	218,384	4
1920	Refundable deposits	<u>5,816</u>	<u>-</u>	<u>4,569</u>	<u>-</u>
15XX	Total noncurrent assets	<u>3,113,100</u>	<u>47</u>	<u>2,736,404</u>	<u>51</u>
1XXX	TOTAL	<u>\$ 6,575,576</u>	<u>100</u>	<u>\$5,384,424</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term borrowings (Note 15)	\$ 930,000	14	\$ 590,000	11
2130	Contract liabilities - current (Notes 4 and 20)	203,231	3	156,922	3
2170	Notes and accounts payable (Note 16)	502,080	8	250,795	5
2180	Accounts payable - related parties (Note 30)	3,770	-	2,047	-
2200	Other payables (Note 17)	340,986	5	185,114	4
2230	Current tax liabilities (Notes 4 and 22)	108,570	2	64,497	1
2280	Lease liabilities-current (Notes 4 and 14)	22,427	-	19,611	-
2320	Long-term liabilities due within one year (Note 15)	90,572	1	38,072	1
2399	Other current liabilities	<u>4,762</u>	<u>-</u>	<u>3,391</u>	<u>-</u>
21XX	Total current liabilities	<u>2,206,398</u>	<u>33</u>	<u>1,310,449</u>	<u>25</u>

(Continued)

NONCURRENT LIABILITIES					
2540	Long-term borrowings (Note 15)	103,930	2	194,501	4
2570	Deferred tax liabilities (Notes 4 and 22)	8,474	-	108	-
2580	Lease liabilities-noncurrent (Notes 4 and 14)	49,940	1	59,806	1
2640	Net defined benefit liabilities – noncurrent (Notes 4 and 18)	27,791	-	24,538	-
2670	Other noncurrent liabilities	<u>2,454</u>	<u>-</u>	<u>2,363</u>	<u>-</u>
25XX	Total noncurrent liabilities	<u>192,589</u>	<u>3</u>	<u>281,316</u>	<u>5</u>
2XXX	Total liabilities	<u>2,398,987</u>	<u>36</u>	<u>1,591,765</u>	<u>30</u>

EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 19)

Capital Stock					
3110	Ordinary shares	<u>1,007,060</u>	<u>15</u>	<u>1,007,060</u>	<u>19</u>
3200	Capital surplus	<u>960,750</u>	<u>15</u>	<u>1,056,191</u>	<u>19</u>
Retained earnings					
3310	Legal reserve	291,281	4	250,297	5
3320	Special reserve	103,348	2	56,293	1
3350	Unappropriated earnings	<u>1,907,058</u>	<u>29</u>	<u>1,526,166</u>	<u>28</u>
3300	Total retained earnings	<u>2,301,687</u>	<u>35</u>	<u>1,832,756</u>	<u>34</u>
3410	Exchange differences on translating foreign operations	<u>(90,099)</u>	<u>(1)</u>	<u>(127,821)</u>	<u>(2)</u>
3420	Unrealized evaluation gains and losses of the Equity instrument investment benefit measured at fair value through other comprehensive gains and losses	<u>(34,695)</u>	<u>(1)</u>	<u>24,473</u>	<u>-</u>
3400	Total other equity	<u>(124,794)</u>	<u>(2)</u>	<u>(103,348)</u>	<u>2</u>
31XX	Total Equity of the Business Owner	<u>4,144,703</u>	<u>(63)</u>	<u>3,792,659</u>	<u>70</u>
36XX	Non-controlling interests	<u>31,886</u>	<u>1</u>	<u>-</u>	<u>-</u>
3XXX	Total equity	<u>4,176,589</u>	<u>64</u>	<u>3,792,659</u>	<u>70</u>
	TOTAL	<u>\$ 6,575,576</u>	<u>100</u>	<u>\$ 5,384,424</u>	<u>100</u>

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

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In thousands of New Taiwan Dollars, Except Earnings per Share)

Code		2021		2020	
		Amount	%	Amount	%
4000	OPERATING REVENUE (Notes 4, 20 and 30)	\$ 4,779,885	100	\$ 3,818,716	100
5000	OPERATING COST (Notes 10, 21 and 30)	<u>3,584,780</u>	<u>75</u>	<u>2,957,612</u>	<u>78</u>
5900	GROSS PROFIT	<u>1,195,105</u>	<u>25</u>	<u>861,104</u>	<u>22</u>
	OPERATING EXPENSES (Notes 21 and 30)				
6100	Selling and marketing expenses	256,706	5	204,119	5
6200	General and administrative expenses	172,582	4	145,175	4
6300	Research & Development Expenses	38,615	1	40,907	1
6450	Expected credit impairment losses	<u>5,710</u>	=	=	=
6000	Total operating expenses	<u>473,613</u>	<u>10</u>	<u>390,201</u>	<u>10</u>
6900	PROFIT FROM OPERATIONS	<u>721,492</u>	<u>15</u>	<u>470,903</u>	<u>12</u>
	NON-OPERATING INCOME AND EXPENSES				
7010	Other income (Notes 21 and 30)	30,763	-	41,941	1
7020	Other gains and losses (Note 21)	2,536	-	(11,086)	-
7050	Financial Cost (Note 21)	(9,141)	-	(6,930)	-
7060	Share of profit or loss of associates and joint ventures Recognized by Equity Method (Notes 4 and 12)	82,237	2	6,126	-
7100	Interest income	1,141	-	1,266	-
7140	Bargain purchase gain- acquiring a subsidiary (Note 25)	<u>372</u>	=	=	=
7000	Total non-operating income and expenses	<u>107,908</u>	<u>2</u>	<u>31,317</u>	<u>1</u>
7900	PROFIT BEFORE INCOME TAX	829,400	17	502,220	13
7950	INCOME TAX EXPENSE (Note 22)	(156,690)	(3)	(102,747)	(3)
8200	NET PROFIT FOR THE YEAR	<u>672,710</u>	<u>14</u>	<u>399,473</u>	<u>10</u>

(Continued)

SAN TO CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(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	(\$ 4,125)	-	(\$ 2,183)	-
8316	Unrealized loss on financial assets at fair value through other comprehensive income (Note 7)	(69,029)	(1)	10,836	-
8349	Income tax related to items that are not reclassified	<u>10,686</u>	=	<u>1,716</u>	=
		(<u>62,468</u>)	(<u>1</u>)	<u>10,369</u>	=
8360	Items that may be reclassified to profit and loss in the future				
8370	Share of the other comprehensive loss of associates and joint ventures using the equity method	(3,193)	-	2,829	-
8361	Exchange differences on translating the financial statements of foreign operations	<u>40,915</u>	<u>1</u>	(<u>61,999</u>)	(<u>1</u>)
		<u>37,722</u>	<u>1</u>	(<u>59,170</u>)	(<u>1</u>)
8300	Other comprehensive loss for the year, net of income tax	(<u>24,746</u>)	=	(<u>48,801</u>)	(<u>1</u>)
8500	TOTAL COMPREHENSIVE INCOME FOR THIS PERIOD	<u>\$ 647,964</u>	<u>14</u>	<u>\$ 350,672</u>	<u>9</u>
	NET PROFIT ATTRIBUTABLE TO:				
8610	Owners of the Company	\$ 673,643	14	\$ 399,473	10
8620	Non-controlling interests	(<u>933</u>)	=	=	=
8600		<u>\$ 672,710</u>	<u>14</u>	<u>\$ 399,473</u>	<u>10</u>
	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
8710	Owners of the Company	\$ 648,897	14	\$ 350,672	9
8720	Non-controlling interests	(<u>933</u>)	=	=	=
8700		<u>\$ 647,964</u>	<u>14</u>	<u>\$ 350,672</u>	<u>9</u>
	EARNINGS PER SHARE (Note 23)				
	From continuing business units				
9750	Basic	<u>\$ 6.69</u>		<u>\$ 4.36</u>	
9850	Diluted	<u>\$ 6.68</u>		<u>\$ 4.36</u>	

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



SAN HUI MEDICAL CO., LTD. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan Dollars)

	Capital Stock (Note 19)		Equity attributable to the Owners of the Company					Other equity		Sub-Total	Non-controlling interests (Notes 19 & 26)	\$ 3,155,975
	Shares (In Thousands)	Amount	Capital Surplus (Note 19)	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains (Losses) On Financial Assets at Fair Value Through Other Comprehensive Income				
A1	90,706	90,706	\$670,626	\$217,850	\$6,442	\$1,410,290	(\$68,651)	\$12,358	\$3,155,975	\$-	\$3,155,975	
B1	-	-	-	32,447	49,851	(32,447)	-	-	-	-	-	
B3	-	-	-	-	-	(49,851)	-	-	-	-	-	
B5	-	-	(27,212)	-	-	(199,553)	-	-	(226,765)	-	(226,765)	
C3	-	-	6,746	-	-	-	-	-	6,746	-	6,746	
E1	10,000	10,000	387,000	-	-	-	-	-	487,000	-	487,000	
N1	-	-	19,031	-	-	-	-	-	19,031	-	19,031	
D1	-	-	-	-	-	399,473	-	-	399,473	-	399,473	
D3	-	-	-	-	-	(1,746)	(59,170)	12,115	(48,801)	-	(48,801)	
D5	-	-	-	-	-	397,727	(59,170)	12,115	350,672	-	350,672	
Z1	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	1,752	
O1	-	-	-	-	-	-	-	-	-	1,752	1,752	
C3	-	-	6,124	-	-	-	-	-	6,124	-	6,124	
D1	-	-	-	-	-	673,643	-	-	673,643	(933)	672,710	
D3	-	-	-	-	-	(3,300)	37,722	(59,168)	(24,746)	-	(24,746)	
D5	-	-	-	-	-	670,343	37,722	(59,168)	648,897	(933)	647,964	
O1	-	-	-	-	-	-	-	-	-	15,208	15,208	
Z1	100,706	\$1,007,060	\$960,750	\$291,281	\$103,348	\$1,907,058	(\$90,099)	(\$34,695)	\$4,144,703	\$31,886	\$4,176,589	

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

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
 (Expressed in thousands of New Taiwan Dollars)

C o d e		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
A10000	Net income before income tax	\$ 829,400	\$ 502,220
A20010	Adjustments for:		
A20100	Depreciation expenses	284,073	262,851
A20300	Expected credit impairment losses	5,710	-
A20900	Finance costs	9,141	6,930
A21200	Interest income	(1,141)	(1,266)
A21300	Investment Income - Dividend	(1,593)	(1,092)
A21900	Shared-based compensation Cost	1,752	19,031
A22300	Gain/Loss of associates and joint ventures using equity method	(82,237)	(6,126)
A22500	Loss from disposal of property, plant and equipment	(274)	40
A22600	Transfer fee from property, plant and equipment	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	60	(5,961)
A24100	Unrealized foreign currency exchange (gain) loss	635	(2,242)
A29900	Bargain purchase Gain	(372)	-
A29900	Lease modification benefits	(6)	-
A30000	Change in operating assets and liabilities		
A31125	Contract Assets - Current	530	(2,108)
A31130	Notes receivable	(13,112)	(4,692)
A31150	Accounts receivable	(459,741)	(125,082)
A31160	Accounts receivable – related parties	(10,133)	12,027
A31200	Inventories	(326,087)	66,917
A31230	Prepayments	(179,684)	(39,142)
A31240	Other current assets	(74,341)	11,944
A31260	Contract asset— noncurrent	5,941	8,676
A32125	Contract liability	46,309	146,667
A32150	Accounts receivable	246,824	36,555
A32160	Accounts payable - related parties	64	(2,696)
A32180	Other payables	143,764	23,211
A32230	Other current liabilities	1,359	(29)
A32240	Net defined benefit liabilities - noncurrent	(\$ 872)	(\$ 15,559)
A32990	Other noncurrent liabilities	91	(497)
A33000	Cash generated from operations	402,981	890,577
A33100	Interest received	1,141	1,266
A33200	Dividend received	1,593	13,597
A33300	Interest paid	(9,047)	(6,963)

(Continued)

SAN HSIANG CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
 (Expressed in thousands of New Taiwan Dollars)

C o d e	2021	2020.
33500	(<u>109,907</u>)	(<u>43,470</u>)
AAAA	<u>286,761</u>	<u>855,007</u>
	CASH FLOWS FROM INVESTING ACTIVITIES	
B00010	-	(30,466)
B00040	-	(227,769)
B02200	(56,777)	-
B02700	(541,472)	(390,166)
B02800	543	472
B03700	(1,230)	(1,609)
B07100	50,525	(166,646)
B07600	<u>21,804</u>	-
BBBB	(<u>526,607</u>)	(<u>816,184</u>)
	CASH FLOWS FROM FINANCING ACTIVITIES	
C00100	340,000	103,000
C01600	-	240,000
C01700	(38,071)	(7,427)
C04020	(24,332)	(24,499)
C04500	(02,118)	(226,765)
C04600	-	487,000
C05800	15,000	-
C09900	<u>6,124</u>	<u>6,746</u>
CCCC	(<u>3,397</u>)	<u>578,055</u>
DDDD	<u>1,403</u>	(<u>38,091</u>)
EEEE	(241,840)	578,787
E00100	<u>794,606</u>	<u>215,819</u>
E00200	<u>\$ 552,766</u>	<u>\$ 794,606</u>

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

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL INFORMATION

San Fu Chemical Corporation (the “Company”) 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 11 (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 dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on February 26, 2021.

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 “Interest Rate Benchmark Reform - Phase 2” (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) 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 International Financial Reporting Standards (IFRS) recognized by FSC applicable in 2022

New, Amended and Revised Standards and Interpretations	Effective Date Issued by IASB
“Annual Improvements to IFRS Standards 2018-2020” Cycle	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract ”	January 1, 2022 (Note4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidation financial statements were authorized for issue, the Company are continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

New, Amended and Revised 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
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, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2022 (Note 4)

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: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for the recognition of deferred income tax on temporary differences between lease and decommissioning obligations on January 1, 2022, the amendment is applicable to transactions that occur after January 1, 2022. The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on 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 .

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 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 expected to be realized within 12 months after the reporting period; and
- 2) 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 consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates 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 upon 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 interests of the Company 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 owners of the Company.

See Note 11 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 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.

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 the 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 the 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 the 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 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 financial liabilities are recognized when a group entity 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) Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. 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.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to 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.

1. 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 the 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. Leasing

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 borrowings 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 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 generally recognized for all 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. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow 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 liabilities are settled or the assets are 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 taxes for the year

Current and deferred taxes 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 taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management 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 considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

Write-down of inventories

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	
	2021	2020
Cash on hand	\$ 437	\$ 370
Demand deposits	552,329	524,236
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	-	270,000
	<u>\$ 552,766</u>	<u>\$ 794,606</u>

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

	December 31	
	2021	2020
Demand deposits	0.001%-0.3%	0.001%-0.3%
Time deposits	-	0.06%

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

	December 31	
	2021	2020
Domestic investments		
Listed shares	\$ 27,297	\$ 47,020
Unlisted shares	<u>6,698</u>	<u>6,698</u>
	<u>33,995</u>	<u>53,718</u>
Foreign investments		
Unlisted shares	<u>52,917</u>	<u>103,753</u>
	<u>\$ 86,912</u>	<u>\$ 157,471</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. 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.

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Time deposits with original maturities of more than 3 months	\$ 11,072	\$ 11,392
Restricted demand deposits	<u>222,400</u>	<u>222,400</u>
	<u>\$ 233,472</u>	<u>\$ 233,792</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.06% ~ 0.28% and 0.06 ~ 0.7% per annum as of DECEMBER 31, 2021 AND 2020, respectively.

Refer to Note 31 for information related to investments in financial assets at amortized cost pledge as security.

9. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	2021	2020
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 56,633</u>	<u>\$ 43,521</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,511,022	\$ 1,051,136
Less: Allowance for impairment loss	<u>(6,200)</u>	<u>(571)</u>
	<u>\$ 1,504,822</u>	<u>\$ 1,050,565</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, 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	\$1,494,329	\$ 10,447	\$ 46	\$ 5,710	\$ 490	\$ -	\$1,511,022
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,710)</u>	<u>(490)</u>	<u>-</u>	<u>(6,200)</u>
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>

December 31, 2020

	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	\$1,048,944	\$ 1,621	\$ -	\$ -	\$ 571	\$ -	\$1,051,136
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(571)</u>	<u>-</u>	<u>(571)</u>
Amortized cost	<u>\$1,048,944</u>	<u>\$ 1,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,050,565</u>

The movements of the loss allowance of accounts receivable were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, Beginning of year	\$ 571	\$ 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>\$ 571</u>

10. INVENTORIES

	December 31	
	2021	2020
Merchandise	\$ 13,851	\$ 6,393
Finished goods	208,272	126,398
Work in progress	11,032	11,261
Semi-finished goods	1,988	1,883
Supplies and Spare Parts	26,541	20,742
Raw materials	<u>458,141</u>	<u>226,800</u>
	<u>\$ 719,825</u>	<u>\$ 393,477</u>

The cost of inventories recognized as cost of goods sold (including construction cost) for the years ended DECEMBER 31, 2021 AND 2020 was \$3,584,780 thousand and \$2,957,612 thousand, respectively.

The cost of goods sold included inventory write-downs reserved \$60 thousand and inventory write-downs \$5,961 thousand for the years ended DECEMBER 31, 2021 AND 2020, respectively.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			December 31 2021	December 31 2020
San Fu Chemical Co., Ltd.	San Fu Specialty Chemicals Investments Limited	Investment	100	100
	San Fu Food Additives Investments Limited (<i>Note 1</i>)	Investment	-	100
	VinaSanFu Industrial Gas Company Limited	Production of industrial gases	100	100
	VinaSanFu Material Company Limited	Production of industrial materials	100	100
	San Fu Biotech Co., Ltd. (<i>Note 3</i>)	Sales and production of food additives	93	100
	International Nitto Technology Co., Ltd.	Sales and production of electronic components	100	100
	Lifu Carbonate Co., Ltd. (<i>Note 2</i>)	Production of chemicals	87	25
	San Fu Specialty Chemicals Investments Limited	Sino Star Holding Limited	Investment	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 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%.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in associates	\$ 51,488	\$ 58,949
Investments in joint ventures	<u>404,839</u>	<u>346,134</u>
	<u>\$ 456,327</u>	<u>\$ 405,083</u>

The share of total comprehensive income for the years ended December 31, 2021 and 2020 was \$82,237 thousand and \$6,126 thousand, respectively.

a. Investments in associates

	<u>December 31</u>	
	2021	2020
Associates that are not individually material	<u>\$ 51,488</u>	<u>\$ 58,949</u>
<u>Aggregate information of associates that are not individually material</u>		
	<u>For the Year Ended December 31</u>	
	2021	2020
The Company's share of:		
Net profit for the year	(\$ 749)	(\$ 2,590)
Other comprehensive (loss) income	<u>1,709</u>	<u>(1,563)</u>
Total comprehensive income for the year	<u>\$ 960</u>	<u>(\$ 4,153)</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>	
	2021	2020
Material joint ventures		
Sanfuming Electronic Material Co., Ltd.	<u>\$ 404,839</u>	<u>\$ 346,134</u>

Name of Associate	Nature of Activities	Principal Place of Business	<u>Proportion of Ownership and Voting Rights</u>	
			<u>December 31 2021</u>	<u>2020</u>
Sanfuming Electronic Material Co., Ltd.	International trading	Shanghai, China	50%	50%

All the joint ventures are accounted for using the 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.

	December 31	
	2021	2010
Cash and cash equivalents	\$ 111,141	\$ 111,217
Current assets	\$ 759,414	\$ 503,171
Non-current assets	206,139	213,670
Current liabilities	(215,675)	(87,881)
Non-current liabilities	(1,728)	-
Equity	\$ 748,150	\$ 628,960
Proportion of the Company's ownership	50%	50%
Equity attributable to the Company	\$ 374,075	\$ 314,480
Other adjustments (gain of losing control in subsidiaries)	\$32,643	\$32,643
Other adjustments (exchange rate affect)	(1,879)	(989)
Carrying amount	\$ 404,839	\$ 346,134

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 1,359,034	\$ 934,624
Depreciation expenses and amortization expenses	\$ 21,786	\$ 21,490
Interest income	\$ 384	\$ 379
Income tax expenses	\$ 54,536	\$ 6,105
Net profit for the year	\$ 165,972	\$ 17,432
Other comprehensive income (loss)	(5,540)	5,656
Total comprehensive income for the year	\$ 160,432	\$ 23,088

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equip- ment	Transpor - tation	Other Equip- ment	Property under Construc - tion	Total
<u>Cost</u>							
Balance at 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 business combination	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 at December 31, 2021	\$ 162,700	\$ 1,145,606	\$ 2,162,086	\$ 352,833	\$ 417,323	\$ 639,282	\$ 4,879,830

(Continued)

	Land	Buildings	Equipment	Transportation	Other Equipment	Property under Construction	Total
<u>Accumulated depreciation and impairment</u>							
Balance at 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 at 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 at 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>
<u>Cost</u>							
Balance at January 1, 2020	\$ 63,707	\$ 894,469	\$ 1,968,749	\$ 348,431	\$ 318,465	\$ 79,832	\$ 3,673,653
Reclassifications	-	11,826	40,968	55	37,358	(24,815)	65,392
Additions	-	7,965	36,002	2,211	25,592	286,958	358,728
Disposals	-	-	(81,238)	(2,294)	(8,489)	-	(92,021)
Reclassify to held for sale	-	155,451	5,745	-	321	-	161,517
Effect of foreign currency exchange differences	-	-	-	-	-	(9,876)	(9,876)
Balance at December 31, 2020	<u>\$ 63,707</u>	<u>\$ 1,069,711</u>	<u>\$ 1,970,226</u>	<u>\$ 348,403</u>	<u>\$ 373,247</u>	<u>\$ 332,099</u>	<u>\$ 4,157,393</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 345,218	\$ 1,371,162	\$ 267,430	\$ 242,863	\$ -	\$ 2,226,673
Depreciation expenses	-	56,214	128,670	20,482	30,854	-	236,220
Disposals	-	-	(81,238)	(1,854)	(8,417)	-	(91,509)
Reclassify to held for sale	-	7,174	2,106	-	119	-	9,399
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 408,606</u>	<u>\$ 1,420,700</u>	<u>\$ 286,058</u>	<u>\$ 265,419</u>	<u>\$ -</u>	<u>\$ 2,380,783</u>
Carrying amounts at December 31, 2020	<u>\$ 63,707</u>	<u>\$ 661,105</u>	<u>\$ 549,526</u>	<u>\$ 62,345</u>	<u>\$ 107,828</u>	<u>\$ 332,099</u>	<u>\$ 1,776,610</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	3-45 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 borrowings is set out in Note 31.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Land	\$ 122,939	\$ 130,851
Buildings	6,687	2,101
Transportation equipment	<u>7,585</u>	<u>8,478</u>
	<u>\$ 137,211</u>	<u>\$ 141,430</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 19,718</u>	<u>\$ 12,196</u>
Depreciation charge for right-of-use assets		
Land	\$ 16,875	\$ 17,028
Buildings	5,821	5,755
Transportation equipment	<u>3,581</u>	<u>3,848</u>
	<u>\$ 26,277</u>	<u>\$ 26,631</u>

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Current	\$ 22,427	\$ 19,611
Non-current	<u>49,940</u>	<u>59,806</u>
	<u>\$ 72,367</u>	<u>\$ 79,417</u>

Range of discount rates for lease liabilities are as follows:

	December 31	
	2021	2020
Land	1.03%~2.5%	1.03%~2.5%
Buildings	1.03%	1.03%
Transportation equipment	1.03%	1.03%

c. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ 2,996	\$ 2,490
Expenses relating to low-value asset leases	\$ 941	\$ 1,054
Total cash outflow for leases	(\$ 22,889)	(\$ 29,335)

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. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
<u>Secured borrowings (Note 31)</u>		
Bank loans	\$ 280,000	\$ 250,000
<u>Unsecured borrowings</u>	<u>650,000</u>	<u>340,000</u>
Bank loans	<u>\$ 930,000</u>	<u>\$ 590,000</u>

The range of weighted average effective interest rates on bank loans was 0.78%-1.02% and 0.83%-1.1% per annum as of December 31, 2021 and 2020, respectively.

b. Long-term borrowings

	December 31	
	2021	2020
<u>Unsecured borrowings</u>		
Bank loans	\$ 194,502	\$ 232,573
Less: Current portion matured within a year	(90,572)	(38,072)
Long-term borrowings	<u>\$ 103,930</u>	<u>\$ 194,501</u>

The range of weighted average effective interest rates on bank loans was 1.175%-1.25% per annum as of December 31, 2021 and 2020, respectively.

16. NOTES AND ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Notes payable	\$ 479	\$ 479
Accounts payable	<u>501,601</u>	<u>250,316</u>
	<u>\$ 502,080</u>	<u>\$ 250,795</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>2021</u>	<u>2020</u>
Other payables		
Payable for accrued expenses	\$ 301,200	\$ 156,986
Payable for constructions	16,935	16,512
Payable for purchases of equipment	<u>22,851</u>	<u>11,616</u>
	<u>\$ 340,986</u>	<u>\$ 185,114</u>

18. 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 on the basis of 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:

	<u>Years Ended December 31</u>	
	2021	2020
Present value of defined benefit obligation	\$ 132,399	\$ 127,837
Fair value of plan assets	(<u>104,608</u>)	(<u>103,299</u>)
Net defined benefit liabilities	<u>\$ 27,791</u>	<u>\$ 24,538</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 at January 1, 2020	\$ 125,533	(\$ 87,619)	\$ 37,914
Service cost			
Current service cost	666	-	666
Net interest expense (income)	<u>941</u>	(<u>711</u>)	<u>230</u>
Recognized in profit or loss	<u>1,607</u>	(<u>711</u>)	<u>896</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,679)	(2,679)
Actuarial loss			
Changes in financial assumptions	3,812	-	3,812
Experience adjustments	<u>1,050</u>	<u>-</u>	<u>1,050</u>
Recognized in other comprehensive income	<u>4,862</u>	(<u>2,679</u>)	<u>2,183</u>
Contributions from the employer	-	(16,455)	(16,455)
Benefits paid	(<u>4,165</u>)	<u>4,165</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 127,837</u>	(<u>\$ 103,299</u>)	<u>\$ 24,538</u>
Balance at 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 at December 31, 2021	<u>\$ 132,399</u>	(<u>\$ 104,608</u>)	<u>\$ 27,791</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	
	2021	2020
Operating costs	\$ 431	\$ 539
Selling and marketing expenses	76	109
General and administrative expenses	196	236
Research and development expenses	<u>8</u>	<u>12</u>
	<u>\$ 711</u>	<u>\$ 896</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:

	December 31	
	2021	2020
Discount rates	0.625%	0.375%
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:

	December 31	
	2021	2020
Discount rate(s)		
0.25% increase	(\$ 2,426)	(\$ 2,561)
0.25% decrease	<u>\$ 2,501</u>	<u>\$ 2,645</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 2,423</u>	<u>\$ 2,556</u>
0.25% decrease	(\$ 2,363)	(\$ 2,489)

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>	
	<u>2021</u>	<u>2020</u>
Expected contributions to the plans for the next year	\$ 1,583	\$ 16,455
Average duration of the defined benefit obligation	7.4 years	8.1 years

19. EQUITY

a. Capital stock

Ordinary shares

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
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>

On August 6, 2020, the Company's board of directors resolved to issue 10,000 thousand ordinary shares with a par value of \$10, for a consideration of \$48.7 per share which increased the Capital stock issued and fully paid to \$1,007,060 thousand. On October 8, 2020, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors to be December 1, 2020.

b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to Capital stock (1)		
Issuance of ordinary shares	\$ 870,611	\$ 971,317
Donations (Note 30)	34,043	27,919
<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
Recognition of changes in ownership interests in subsidiaries (3)	(859)	-
	<u>\$ 960,750</u>	<u>\$ 1,056,191</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 the equity method.

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 reserve of 10% of the remaining profit, setting aside or reversing a special 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 reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal 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 Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special 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 2020 and 2019 were approved in the shareholders' meetings on July 5, 2021 and June 16, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Legal reserve	<u>\$ 40,984</u>	<u>\$ 32,447</u>
Special reserve	<u>\$ 47,055</u>	<u>\$ 49,851</u>
Cash dividends	<u>\$ 201,412</u>	<u>\$ 199,553</u>
Cash dividends per share	<u>\$ 2.0</u>	<u>\$ 2.2</u>

The appropriations of 2020 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 2020	Third Quarter of 2020	Second Quarter of 2020	First Quarter of 2020
Resolution Date of the Company's Board of Directors in its Meeting	February 26, 2021	November 8, 2020	August 9, 2020	May 5, 2020
Cash dividends to shareholders	<u>\$ 201,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash dividends per share (NT\$)	<u>\$ 2.0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Company's shareholders' meeting approved distributing cash dividends \$100,706 thousand and 27,212 thousand (\$ 1.0 and \$0.3 dollars per share) with capital reserves on July 5, 2021 and June 16, 2020 respectively.

The appropriation of earnings for 2021 had been approved by the Company's Board of Directors on February 25, 2022 were as follows:

	For the Year Ended December 31, 2021
Legal reserve	\$ 67,034
Special reserve	\$ 21,446
Cash dividends	\$ 302,118
Cash dividends per share	\$ 3.0

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	<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>

d. Special reserve

	For the Year Ended December 31	
	2021	2020
Beginning at January 1	\$ 56,293	\$ 6,442
Appropriations in respect of Debits to other equity items	<u>47,055</u>	<u>49,851</u>
Balance at December 31	<u>\$ 103,348</u>	<u>\$ 56,293</u>

e. Non-Controlling Interests

	For the Year Ended December 31, 2021
Balance 1t January 1, 2021	\$ -
Share attributable to non-controlling interests	
Net profit for the current period	(933)
Acquire increased non-controlling interests of the Company's Subsidiaries (Note 25)	15,208
Non-controlling interests subscribed for cash capital increase of the Company's Subsidiaries (Note 26)	15,000
Changes in ownership interests in subsidiaries (Note 26)	859
Employee stock options of the Company's Subsidiaries	<u>1,752</u>
Balance 31, 2021	<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

20. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from sale of goods	\$ 4,641,307	\$ 3,394,693
Construction contract revenue	<u>138,578</u>	<u>424,023</u>
	<u>\$ 4,779,885</u>	<u>\$ 3,818,716</u>

Contract Balances

	December 31	
	2021	2020
Contract assets		
Properties construction - current	\$ 8,200	\$ 8,730
Properties construction - non-current	<u>-</u>	<u>5,941</u>
	<u>\$ 8,200</u>	<u>\$ 14,671</u>
Contract liabilities		
Properties construction - current	\$ 182,441	\$ 154,478
Sale of goods- current	<u>20,790</u>	<u>2,444</u>
	<u>\$ 203,231</u>	<u>\$ 156,922</u>

21. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2021	2020
Dividends	\$ 1,593	\$ 1,092
Rendering of services	14,492	26,535
Subsidies	3,500	-
Others	11,178	14,314
	<u>\$ 30,763</u>	<u>\$ 41,941</u>

b. Other gains and losses

	For the Year Ended December 31	
	2021	2020
(Losses) gains from disposal of property, plant and equipment	\$ 274	(\$ 40)
Gains from disposal of subsidiaries	424	-
Gains from disposal of investment using equity method	22,797	-
Net foreign exchange losses	(14,875)	(10,847)
Others	(6,084)	(199)
	<u>\$ 2,536</u>	<u>(\$ 11,086)</u>

c. Depreciation

	For the Year Ended December 31	
	2021	2020
Properties, plants and equipment	\$ 257,796	\$ 236,220
Right-of-use assets	26,277	26,631
	<u>\$ 284,073</u>	<u>\$ 262,851</u>
An analysis of depreciation by function		
Operating costs	\$ 253,310	\$ 239,733
Operating expenses	30,763	23,118
	<u>\$ 284,073</u>	<u>\$ 262,851</u>

d. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 12,035	\$ 11,186
Defined benefit plans (Note 18)	711	896
Share-based payments compensation costs	1,752	19,031
Short-term benefits		
Salaries	\$ 333,613	\$ 296,892
Labor and health insurance	28,270	24,366
Others	53,227	46,924
Total employee benefits expense	<u>\$ 429,608</u>	<u>\$ 399,295</u>

An analysis of employee benefits expense by function		
Operating costs	\$ 210,296	\$ 191,284
Operating expenses	<u>219,312</u>	<u>208,011</u>
	<u>\$ 429,608</u>	<u>\$ 399,295</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, 2021 and 2020, which were approved by the Company's board of directors on February 25, 2022 and February 26, 2021, respectively, are as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Employees' compensation	1.95%	1.90%
Remuneration of directors and supervisors	1.95%	1.90%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	\$ 16,600	\$ 9,800
Remuneration of directors and supervisors	16,600	9,800

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 25, 2022, February 26, 2021 and February 25, 2020, and those meetings resulted in the actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2021, 2020 and 2019 to differ from the amounts recognized in the consolidated financial statements for the years ended December 31, 2021, 2020 and 2019, respectively. The differences were adjusted to profit and loss for the years ended December 31, 2022, 2021 and 2020, respectively.

	<u>For the Year Ended December 31</u>					
	<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>Employees, Compensation</u>	<u>Remuneration of Directors and Supervisors</u>	<u>Employees, Compensation</u>	<u>Remuneration of Directors and Supervisors</u>	<u>Employees, Compensation</u>	<u>Remuneration of Directors and Supervisors</u>
Amounts approved in the board of directors' meeting	<u>\$ 16,588</u>	<u>\$ 16,588</u>	<u>\$ 10,547</u>	<u>\$ 10,547</u>	<u>\$ 9,424</u>	<u>\$ 9,424</u>
Amounts recognized in the annual consolidated financial statements	<u>\$ 16,600</u>	<u>\$ 16,600</u>	<u>\$ 9,800</u>	<u>\$ 9,800</u>	<u>\$ 7,540</u>	<u>\$ 7,540</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	
	2021	2020
Interest on bank loans	\$ 8,060	\$ 5,638
Interest on lease liabilities	<u>1,081</u>	<u>1,292</u>
	<u>\$ 9,141</u>	<u>\$ 6,930</u>

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2021	2020
Foreign exchange gains	\$ 21,884	\$ 16,875
Foreign exchange losses	<u>(36,759)</u>	<u>(27,722)</u>
Net losses	<u>(\$ 14,875)</u>	<u>(\$ 10,847)</u>

22. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	Years Ended December 31	
	2021	2020
Current tax		
In respect of the current period	\$ 157,572	\$ 94,913
Adjustments for prior periods	<u>(3,592)</u>	<u>(1,410)</u>
	<u>153,980</u>	<u>93,503</u>
Deferred tax		
In respect of the current period	<u>2,710</u>	<u>9,244</u>
Income tax expense recognized in profit or loss	<u>\$ 156,690</u>	<u>\$ 102,747</u>

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

	Years Ended December 31	
	2021	2020
Profit before tax	<u>\$ 829,400</u>	<u>\$ 502,220</u>
Income tax expense calculated at the statutory rate (20%)	\$ 165,880	\$ 100,444
Nondeductible expenses in determining taxable income	1,213	1,341
Tax-exempt income	(\$ 747)	(\$ 218)
Additional income for tax purpose	1,225	1,349
Unrecognized deductible temporary differences	(7,291)	1,241
Adjustments for prior years' tax	<u>(3,590)</u>	<u>(1,410)</u>
Income tax expense recognized in profit or loss	<u>\$ 156,690</u>	<u>\$ 102,747</u>

b. Income tax expense recognized in other comprehensive income

Deferred Income Tax

	<u>Years Ended December 31</u>	
	2021	2020
Related to unrealized gain/loss on investments in equity instruments at FVTOCI	\$ 9,861	\$ 1,279
Related to remeasurement of defined benefit plan	825	437
	<u>\$ 10,686</u>	<u>\$ 1,716</u>

c. Current tax liabilities

	<u>Years Ended December 31</u>	
	2021	2020
Current tax liabilities		
Income tax payable	<u>\$ 108,570</u>	<u>\$ 64,497</u>

Prepaid income tax of \$46,851 thousand and \$28,530 thousand has been deducted from the income tax payable for 2021 and 2020, respectively.

d. Deferred income tax assets and liabilities

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

For the year ended December 31, 2021

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehens ive Income	Acquired from business combination 取得	Balance, End of Year
<u>Deferred income tax assets</u>					
Temporary differences					
Defined benefit plan	\$ 4,907	(\$ 174)	\$ 825	\$ -	\$ 5,558
Property, plant and equipment	3,804	(773)	-	-	3,031
Investments accounted for using the 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
FVOCI financial assets	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>

(Continued)

For the year ended December 31, 2020

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred income tax assets</u>				
Temporary differences				
Defined benefit obligations	\$ 7,582	(\$ 3,112)	\$ 437	\$ 4,907
Property, plant and equipment	7,000	(3,196)	-	3,804
Investments accounted for using the equity method	3,460	-	-	3,460
Payables for annual leave	1,049	116	-	1,165
Allowance for impairment loss	1,627	(198)	-	1,429
Unrealized exchange loss	1,442	(448)	-	994
FVOCI financial assets	1,265	-	1,279	2,544
Others	<u>10,911</u>	<u>(2,298)</u>	<u>-</u>	<u>8,613</u>
	<u>\$ 34,336</u>	<u>(\$ 9,136)</u>	<u>\$ 1,716</u>	<u>\$ 26,916</u>
 <u>Deferred tax liabilities</u>				
Temporary differences				
Others	<u>\$ -</u>	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ 108</u> (Concluded)

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

As of December 31, 2021 and 2020, the taxable temporary differences associated with investments in subsidiaries and associates for which no deferred tax liabilities have been recognized were \$46,851 thousand and \$53,318 thousand, 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 2019 have been assessed by the tax authorities.

23. EARNINGS PER SHARE (EPS)

Unit: NT\$ Per Share

	<u>Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Basic earnings per share		
Basic earnings per share	<u>\$ 6.69</u>	<u>\$ 4.36</u>
Diluted earnings per share		
Diluted earnings per share	<u>\$ 6.68</u>	<u>\$ 4.36</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

	Years Ended December 31	
	2021	2020
Profit for the year	<u>\$ 673,643</u>	<u>\$ 399,473</u>

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

Number of ordinary shares

	Years Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	100,706	91,553
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>121</u>	<u>151</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>100,827</u>	<u>91,704</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. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee restricted stock awards

The compensation costs due to issuance of ordinary shares for cash granted by employee in October 2020 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<u>October 2021</u>
Grant-date share price	\$69.00
Exercise price	\$48.70
Expected volatility	39.75%
Expected life (in days)	29
Expected dividend yield	-
Risk-free interest rate	0.14%

Expected volatility is based on the back calculation of the grant-date which uses the Company's daily annualized standard deviation of returns as hypotheses.

Compensation costs recognized were \$19,031 thousand for the year ended December 31, 2020.

b. 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 merged 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 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.

Compensation costs recognized were \$1,752 thousand for the year ended December 31, 2021.

25. 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 thousand

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	(116,988)
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 adjustments to factors considered by market participants (including the lack of market liquidity of the stock, etc.).

e. Net Cash Outflow from Acquiring Subsidiaries

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

f. The impact of business mergers on business results

Since the acquisition date, the operating results from the acquired company were as follows:

	Lifu Carbon Acid Co., Ltd.
Operating revenue	<u>\$ -</u>
Net loss for the period	(<u>\$ 6,498</u>)

If business combinations occurred on the beginning of the fiscal year to which the acquisition date belongs, the proposed operating revenue and proposed net profit of the Company from January 1 to December 31, 2021 will be NT\$4,776,980 thousand and NT\$ 671,572 thousand respectively. Such amounts cannot reflect the actual revenue and operating results of the Company if the business combination was completed on the start date of the acquisition year, and should not be used to predict future operating results.

26. 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>)

27. NON-CASH TRANSACTION

For the years ended December 31, 2021 and 2020, 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 2021 and 2020 (Notes 13 and 17).

	<u>Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Prepayments for equipment transferred (reclassification)	<u>\$ 61,809</u>	<u>\$ 65,392</u>
Acquisition of assets from subsidiaries	<u>\$ 112,426</u>	<u>\$ -</u>
Purchase of property, plant and equipment	\$ 553,130	\$ 358,728
(Increase)/Decrease in payable of construction payment and purchases of equipment	(<u>11,658</u>)	<u>31,438</u>
Paid in cash by acquiring property, plant and equipment	<u>\$ 541,472</u>	<u>\$ 390,166</u>

28. 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.

29. 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, 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
	<u>\$ 27,297</u>	<u>\$ -</u>	<u>\$ 59,615</u>	<u>\$ 86,912</u>

	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</u>				
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 47,020	\$ -	\$ -	\$ 47,020
Domestic unlisted shares	-	-	6,698	6,698
Foreign unlisted shares	-	-	103,753	103,753
	<u>\$ 47,020</u>	<u>\$ -</u>	<u>\$ 110,451</u>	<u>\$ 157,471</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

2) Financial Instruments Applied for Level 3 Adjustment at FVTOCI

	Financial assets at FVTOCI Through other comprehensive income	
	2021.1.1-12.31	2020.01.01.-12.31
<u>Financial assets — Equity instrument</u>		
Beginning balance	\$ 110,451	\$ 89,251
Purchase	-	30,466
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)	(6,398)
Foreign exchange difference	(1,529)	(2,868)
Ending balance	<u>59,615</u>	<u>110,451</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 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>2021.12.31</u>	<u>2020.12.31</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>2021.12.31</u>	<u>2020.12.31</u>
Discount for lack of marketability		
1% decrease	<u>\$ 77</u>	<u>\$ 81</u>
Non-controlling interests discount		
1% decrease	<u>\$ 73</u>	<u>\$ 76</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>2021.12.31</u>	<u>2020.12.31</u>
<u>Financial assets</u>		
Financial assets at amortized cost (*1)	\$ 2,367,320	\$ 2,132,074
Financial assets at FVTOCI	86,912	157,471
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (*2)	1,971,338	1,260,529

*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. Those reclassified to held-for-sale disposal groups are included.

*2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, notes payables, account payables - related parties, long-term liabilities due within one year, others payable and long-term borrowings. Those reclassified to held-for-sale disposal groups are included.

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 due within one year, 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's activities exposed it primarily to the financial risks of 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 use the natural hedge against its currency risk. The Company monitor and evaluate 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 32.

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

	2021	2020
Profit or loss	<u>\$ 15,731</u> (i)	<u>\$ 11,074</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 are exposed to interest rate risk 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 2021 and 2020 were NT\$9,141 thousand and NT\$ 6,930 thousand respectively, which only constitute 0.19% and 0.18% 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	
	2021	2020
Fair value interest rate risk		
Financial liabilities	\$ 967,367	\$ 589,417
Cash flow interest rate risk		
Financial liabilities	229,502	312,573

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 2021 and 2020 would decrease/increase by NT\$ 115 thousand and NT\$ 156 thousand, respectively.

c) Other Price Risks

The Company are exposed to price risk due to equity 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 2021 and 2020 would have increased/decreased by NT\$ 4,346 thousand and NT\$ 7,874 thousand respectively, because of the changes in fair value of financial assets at FVTOCI.

2) Credit Risk

Credit risk refers to the risk that a counterparty 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 credit risk is expected to be immaterial as the companies A, B and C are all reliable and trustworthy counterparties.

3) Liquidity Risk

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, 2021, and 2020, the Company had available unutilized short-term bank loan facilities in the amount of NT\$ 746,415 thousand, NT\$ 996,147 thousand, 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, 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>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
Lease liabilities	\$ 1,887	\$ 3,773	\$ 14,552	\$ 35,539	\$ 26,117
Variable interest rate liabilities	-	85,143	20,429	207,001	-
Fixed interest rate liabilities	<u>330,000</u>	<u>180,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 331,887</u>	<u>\$ 268,916</u>	<u>\$ 34,981</u>	<u>\$ 242,540</u>	<u>\$ 26,117</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 20,212</u>	<u>\$ 35,539</u>	<u>\$ 26,117</u>

30. TRANSACTIONS WITH RELATED PARTIES

The transaction, account balance, income and expenses between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. 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
Shian Yun Joint Stock Company (Vietnam)	Associates
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	
	2021	2020
<u>Sales</u>		
Joint ventures	\$ 23,527	\$ 11,744
Associate	<u>60</u>	<u>63</u>
	<u>\$ 23,587</u>	<u>\$ 11,807</u>
<u>Purchase</u>		
Joint ventures	\$ 1,024	\$ 88
Associates	<u>10,975</u>	<u>13,216</u>
	<u>\$ 11,999</u>	<u>\$ 13,304</u>

	<u>Years Ended December 31</u>	
	2021	2020
<u>Service expense (recognized as other income)</u>		
Joint ventures		
Sanfuming Electronic Material Co., Ltd.	\$ 3,962	\$ 6,017
Associates	<u>-</u>	<u>367</u>
	<u>\$ 3,962</u>	<u>\$ 6,384</u>
 <u>Service expense (recognized as other expense)</u>		
Investors with significant influence over the Company	<u>\$ 1,143</u>	<u>\$ 1,279</u>
 <u>Donation expense</u>		
Others		
Fulu Cultural Foundation	<u>\$ -</u>	<u>\$ 1,000</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>	
	2021	2020
<u>Accounts receivable - related party</u>		
Joint ventures	\$ 15,935	\$ 3,573
<u>Other receivable - related party</u>		
Joint ventures	<u>3,692</u>	<u>6,017</u>
	<u>\$ 19,627</u>	<u>\$ 9,590</u>
 <u>Accounts payable - related party</u>		
Investors with significant influence over the Company	\$ 300	\$ -
Associates	<u>3,470</u>	<u>2,047</u>
	<u>\$ 3,770</u>	<u>\$ 2,047</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, 2021 and 2020, 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>	
		2021	2020
Lease liabilities	Investors with significant influence over the Company		
	Sanfu Global Co., Ltd.	\$ 43,159	\$ 45,387
	Others	<u>1,019</u>	<u>-</u>
		<u>\$ 44,178</u>	<u>\$ 45,387</u>
 <u>Interest expense</u>			
Investors with significant influence over the Company			
Sanfu Global Co., Ltd.		\$ 453	\$ 518
Others		<u>16</u>	<u>6</u>
		<u>\$ 469</u>	<u>\$ 524</u>

d. 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 \$6,124 thousand and \$6,746 thousand in 2021 and 2020, 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	
	2021	2020
Short-term employee benefits	\$ 33,882	\$ 33,795
Post-employment benefits	<u>1,718</u>	<u>1,402</u>
	<u>\$ 35,600</u>	<u>\$ 35,197</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

31. PLEDGED ASSETS

The following assets were provided as collateral for bank borrowings and obligations under the sales agreement:

	Years Ended December 31	
	2021	2020
Pledged deposits (classified as financial assets at amortized cost)	\$ 222,400	\$ 222,400
Land	40,349	40,349
Buildings, net	<u>45,443</u>	<u>49,054</u>
	<u>\$ 308,192</u>	<u>\$ 311,803</u>

32. 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, 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 the equity method			
CNY	93,249	0.157 (CNY: 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

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Foreign Currency Assets</u>			
<u>Monetary items</u>			
USD	\$ 10,162	28.430 (USD: NTD)	\$ 288,906
<u>Non-monetary items</u>			
Investments in associates and joint ventures using the equity method			
CNY	79,301	0.153 (CNY: USD)	346,134
VND	32,239,640	0.0011 (VND: NTD)	35,786
<u>Foreign Currency Liabilities</u>			
<u>Monetary items</u>			
USD	2,363	28,530 (USD: NTD)	67,416

The significant unrealized foreign exchange gains (losses) were as follows:

	<u>For the Year Ended December 31, 2021</u>		<u>For the Year Ended December 31, 2020</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	27.800 (USD: NTD)	\$ 1,366	28.430 (USD: NTD)	\$ 2,242
JPY	0.247 (JPY: NTD)	(2,001)	0.274 (JPY: NTD)	-

33. 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: None;

- 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;

34. 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:

- Fine (high precision) chemicals
- Basic chemicals

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, 2021</u>				
Revenue of general customers	\$ 3,647,671	\$ 1,132,214	\$ -	\$ 4,779,885
Revenue of segment	<u>-</u>	<u>61,425</u>	<u>(61,425)</u>	<u>-</u>
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				<u>372</u>
Income before income tax				<u>\$ 829,400</u>

For the one-year period from January 1 to December 31, 2020

Revenue of general customers	\$ 2,903,964	\$ 914,752	\$ -	\$ 3,818,716
Revenue of segment	<u>-</u>	<u>72,075</u>	<u>(72,075)</u>	<u>-</u>
Total	<u>\$ 2,903,964</u>	<u>\$ 986,827</u>	<u>(\$ 72,075)</u>	<u>\$ 3,818,716</u>
Profit from operations	<u>\$ 561,105</u>	<u>(\$ 90,202)</u>	<u>\$ -</u>	\$ 470,903
Financial cost				(6,930)
Investments using equity method				6,126
Interest income				1,266
Other income				41,941
Other gain and losses				(11,086)
Income before income tax				<u>\$ 502,220</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

	2021.12.31	2020.12.31
<u>Segment assets</u>		
<u>Continuing operations</u>		
Fine chemicals	\$ 4,430,791	\$ 2,751,020
Basic chemicals	1,368,074	1,837,058
Investment	<u>776,711</u>	<u>796,346</u>
Consolidated total assets	<u>\$ 6,575,576</u>	<u>\$ 5,384,424</u>

c. Major customers representing at least 10% of net revenue

	Years Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Customer A	\$ 1,585,864	33	\$ 1,088,535	29
Customer B	533,955	11	478,761	13

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

(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	\$ -	-	\$ -	\$ 1,657,881	(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	-	-	414,470	1,657,881	(Note 3)	
0	San Fu Chemical Co., Ltd.	VinaSanFu Industrial Gas Company Limited	Other receivables	Y	300,000	300,000	49,824 (USD 1,800,000) (Note 4)	1%	The need for Short-term financing	-	Operating capital	-	-	414,470	1,657,881	(Note 3)	
0	San Fu Chemical Co., Ltd.	VinaSanFu Material Company Limited	Other receivables	Y	300,000	300,000	-	-	The need for Short-term financing	-	Operating capital	-	-	414,470	1,657,881	(Note 3)	

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 financing provided to others:

- a. The maximum amount of financing provided by the Company shall not exceed 40% of the Company's net worth.
- b. The maximum amounts of financing provided by the Company and its subsidiaries are as follows:

- i. 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.
- ii. 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, 2021 (USD\$1 = NT\$ 27.68)

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

(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.	\$ 414,470	\$ 250,000	\$ 250,000	\$ 140,000	\$ -	6.03%	\$ 1,657,881	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.	414,470	300,000	300,000	83,040	-	7.24%	1,657,881	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.	414,470	300,000	300,000	166,080	-	7.24%	1,657,881	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, 2021**
(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, 2021				Note
				Number of Shares (in Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
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	1,356,989	27,297	0.45%	27,297	Note 2
	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	-	52,917	2.40%	52,917	

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, 2021.

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, 2021

(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	15,000,000	\$ 148,365	25,000,000	\$ 250,000	(\$ 15,173)	\$ -	\$ -	\$ -	-	\$ 383,192

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, 2021**

(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	\$ 18,260 9,301 44,158 4,391 17,434	90 days after invoice date According to the contract 90 days after invoice date 90 days after invoice date 90 days after invoice date	0.28% 0.14% 0.92% 0.07% 0.36%

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, 2021 (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, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares (Thousands)	%	Carrying Amount			
San Fu Chemical Co., Ltd.	San Fu Specialty Chemicals Investments Limited	Samoa	Investment activities	\$2,351 thousand	\$2,351 thousand	2,350,840	100%	\$ 489,631	\$ 81,326	Note 1	
	San Fu Food Additives Investments Limited	Samoa	Investment activities	552 thousand	552 thousand	552,198	100%	-	-	Note 4	
	VinaSanFu Industrial Gas Company Limited	Vietnam	Engaged in industrial gas production	13,650 thousand	12,285 thousand	-	100%	354,117	(17,443)	Note 1	
	VinaSanFu Material Company Limited	Vietnam	Engaged in the production of chemical materials	12,200 thousand	10,700 thousand	-	100%	312,691	(17,883)	"	
	San Fu Biotech Co., Ltd.	Taiwan	Engaged in the manufacture and sale of food additives	210,000	125,000	21,500,000	100%	251,151	31,674	Notes 1 and 5 "	
	International Nitro Technology Co., Ltd	Taiwan	Engaged in electronic component manufacturing business	477,904	227,904	40,000,000	100%	383,192	(15,173)	"	
	Hongchong Enterprise Co., Ltd.	Taiwan	Liquid oxygen, oxygen, liquid nitrogen and other gas trading business	10,527	10,527	1,200,000	50%	14,510	1,026		
	Lifu Carbonate Co., Ltd.	Taiwan	Engaged in carbon dioxide gas, carbonic acid fire extinguisher, dry ice manufacturing and its sales and marketing	7,7,253	7,193	2,240	87%	96,127	(6,488)	Notes 1 and 3	
	Shian Yun Joint Stock Company	Vietnam	Engaged in industrial gas production	1,232 thousand	1,232 thousand	2,659,974	33.33%	36,978	(940)		
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	2,151 thousand	2,151 thousand	-	50%	404,839	82,986		
San Fu Food Additives Investments Limited	Fangda International (SAMOA) Ltd.	Samoa	Investment activities	1,300 thousand	1,300 thousand	1,867,838	100%	53,876	-	Note 1	
				1,300 thousand	1,300 thousand	1,300,000	41.94%	-	-	Note 4	

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, 2021

Note 4: The company "San Fu Food Additives Investments Limited" was dissolved and deregistered after liquidation is completed in May 2021.

Note 5: On December 20, 2021, 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%

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021**

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, 2021 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (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, 2021 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Sanfuming Electronic Material Co., Ltd.	Engaged in the operation of international trade business	\$ 249,120 (US\$ 9,000,000) (Notes 1 and 4)	Through the third company reinvest in mainland companies	\$ 18,020 (US\$ 651,000)	\$-	\$-	\$ 18,020 (US\$ 651,000)	\$ 165,972	50	\$ 82,986	\$ 404,839 (US\$ 14,626,000)	\$ -
Hubei Xingfu Electronic Material Co., Ltd.	Engaged in manufacturing and selling chemical products	\$ 2,250,560 (CNY 520,000,000) (Note 2)	Through the third company reinvest in mainland companies	\$ 51,651 (US\$ 1,866,000)	-	-	\$ 51,651 (US\$ 1,866,000)	294,820	2.4	-	\$ 52,917 (US\$ 1,912,000)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 161,485 (US\$ 5,834,000) (Notes 5 and 6)	\$ 264,593 (9,559,000)	\$ 2,486,822

Note 1: The exchange rate on December 31, 2021 was USD\$1=NT\$ 27.68

Note 2: The exchange rate on December 31, 2021 was RMB\$1=NT\$ 4328

Note 3: The average exchange rate was based on the USD\$1=NT\$ 28.009 for the 12-month period from January 1, 2021 to December 31, 2021.

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.

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS

BASED ON THE INFORMATION REPORTED AS OF DECEMBER 31, 2021

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, 2021 and 2020, 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 (collectively referred to as the "parent company only financial statements").

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, 2021 and 2020, 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. 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 parent company only financial statements for the year ended December 31, 2021. 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, 2021 are as follows:

Measurement of Inventories

Inventories amounted to 10% (NT\$ 641,599 thousand) of the Company's parent company only total assets as of December 31, 2021. Please refer to Notes 4 and 10 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.

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

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.
3. We obtained the inventory aging table prepared by the management, and inspected supporting documents of recent sales, purchases and picking lists of selected samples to evaluate the accuracy of the inventory aging table.

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.

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

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, 2021 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 Shioh-Ming Shue and Ya-Ling Wong.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 04, 2021

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

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 parent company only financial statements. CPAs do not audit or review on this translation.


SANMIN CHEMICAL CO., LTD.
**PARENT COMPANY ONLY BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan Dollars)**

Code		2021		2020	
ASSETS					
CURRENT ASSETS					
		Amount	%	Amount	%
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 257,022	4	\$ 606,487	12
1136	Financial assets at amortized cost-current (Note 8)	222,400	3	222,400	4
1140	Contract asset - current (Notes 4 and 19)	8,200	-	8,730	-
1150	Notes receivable, net (Notes 4 and 9)	15,543	-	17,950	-
1170	Accounts receivable, net Notes 4 and 9)	1,437,810	23	1,004,409	19
1180	Receivable from related parties (Notes 4 and 28)	96,993	2	28,660	1
130X	Inventories (Notes 4 and 10)	641,599	10	337,063	7
1410	Prepayments	230,556	4	77,435	2
1470	Other current assets	<u>45,432</u>	<u>1</u>	<u>13,494</u>	-
11XX	Total current assets	<u>2,955,555</u>	<u>47</u>	<u>2,316,628</u>	<u>45</u>
NONCURRENT ASSETS					
1517	Financial asset at fair value through other comprehensive income - noncurrent (Notes 4 and 7)	33,996	-	103,025	2
1550	Investments accounted for using the equity method (Notes 4 and 11)	1,938,397	31	1,349,077	26
1560	Contract asset - noncurrent (Notes 4 and 19)	-	-	5,941	-
1600	Property, plant and equipment (Notes 4 and 12)	1,159,071	18	1,225,180	24
1755	Right-of-use asset (Notes 4 and 13)	57,045	1	57,252	1
1840	Deferred tax assets (Notes 4 and 21)	34,784	1	26,916	-
1915	Prepayments for equipment	108,259	2	100,381	2
1920	Refundable deposits	<u>2,792</u>	<u>-</u>	<u>3,040</u>	<u>-</u>
15XX	Total noncurrent assets	<u>3,334,344</u>	<u>53</u>	<u>2,870,812</u>	<u>55</u>
1XXX	TOTAL	<u>\$ 6,289,899</u>	<u>100</u>	<u>\$ 5,187,440</u>	<u>100</u>
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
2100	Short-term borrowings (Note 14)	\$ 885,000	14	\$ 480,000	9
2130	Contract liabilities - current (Notes 4 and 19)	203,231	3	156,922	3
2170	Notes and accounts payable (Note 15)	388,115	6	191,176	4
2180	Accounts payable - related parties (Note 28)	8,161	-	5,295	-
2200	Other payables (Note 16)	274,629	4	182,504	4
2230	Current tax liabilities (Notes 4 and 21)	102,991	2	60,493	1
2280	Lease liabilities-current (Notes 4 and 13)	15,226	-	12,588	-
2300	Other current liabilities	539	-	999	-
2320	Long-term liabilities due within one year (Note 14)	<u>90,572</u>	<u>2</u>	<u>38,072</u>	<u>1</u>
21XX	Total current liabilities	<u>1,968,464</u>	<u>31</u>	<u>1,128,049</u>	<u>22</u>

(Continued)



SAN-YI CHEMICAL CO., LTD.

**PARENT COMPANY ONLY BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan Dollars)**

Code		2021		2020	
	NONCURRENT LIABILITIES				
2540	Long-term borrowings (Note 14)	103,930	2	194,501	4
2570	Deferred tax liabilities (Notes 4 and 21)	-	-	108	-
2580	Lease liabilities-noncurrent (Notes 4 and 13)	42,557	1	45,222	1
2640	Net defined benefit liabilities – noncurrent (Notes 4 and 17)	27,791	-	24,538	-
2670	Other noncurrent liabilities	<u>2,454</u>	-	<u>2,363</u>	-
25XX	Total noncurrent liabilities	<u>176,732</u>	<u>3</u>	<u>266,732</u>	<u>5</u>
2XXX	Total liabilities	<u>2,145,196</u>	<u>34</u>	<u>1,394,781</u>	<u>27</u>
	EQUITY (Notes 4 and 18)				
	Capital Stock				
3110	Common stock	<u>1,007,060</u>	<u>16</u>	<u>1,007,060</u>	<u>20</u>
3200	Capital surplus	<u>960,750</u>	<u>15</u>	<u>1,056,191</u>	<u>20</u>
	Retained earnings				
3310	Legal reserve	291,281	5	250,297	5
3320	Special reserve	103,348	2	56,293	1
3350	Unappropriated earnings	<u>1,907,058</u>	<u>30</u>	<u>1,526,166</u>	<u>29</u>
3300	Total retained earnings	<u>2,301,687</u>	<u>37</u>	<u>1,832,756</u>	<u>35</u>
	Other equity				
3410	Exchange differences on translating foreign operations	(90,099)	(1)	(127,821)	(2)
3420	Unrealized evaluation gains and losses of the Equity instrument investment benefit measured at fair value through other comprehensive gains and losses	(<u>34,695</u>)	(<u>1</u>)	<u>24,473</u>	-
3400	Total other equity	(<u>124,794</u>)	(<u>2</u>)	(103,348)	(2)
3XXX	Total equity	<u>4,144,703</u>	<u>66</u>	<u>3,792,659</u>	<u>73</u>
	TOTAL	<u>\$ 6,289,899</u>	<u>100</u>	<u>\$ 5,187,440</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

SAN FU CHEMICAL CO., LTD.

**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan Dollars, Except Earnings per Share)**

Code		2021		2020	
		Amount	%	Amount	%
4000	OPERATING REVENUE (Notes 4, 19 and 28)	\$4,481,607	100	\$3,616,758	100
5000	OPERATING COST (Notes 10, 20 and 28)	<u>3,335,571</u>	<u>74</u>	<u>2,789,687</u>	<u>77</u>
5900	GROSS PROFIT	<u>1,146,036</u>	<u>26</u>	<u>827,071</u>	<u>23</u>
	OPERATING EXPENSES (Notes 20 and 28)				
6100	Selling and marketing expenses	213,345	5	173,247	5
6200	General and administrative expenses	141,834	3	134,234	4
6300	Research & Development Expenses	38,615	1	40,907	1
6450	Expected credit impairment losses	<u>5,710</u>	=	=	=
6000	Total operating expenses	<u>399,504</u>	<u>9</u>	<u>348,388</u>	<u>10</u>
6900	PROFIT FROM OPERATIONS	<u>746,532</u>	<u>17</u>	<u>478,683</u>	<u>13</u>
	NON-OPERATING INCOME AND EXPENSES				
7010	Other income (Notes 20 and 28)	19,532	-	21,697	1
7020	Other gains and losses (Notes 12 and 20)	4,644	-	(9,519)	-
7050	Financial Cost (Note 20)	(7,462)	-	(5,663)	-
7070	Share of profit or loss of associates and joint ventures Recognized by Equity Method (Notes 4 and 11)	56,099	1	10,079	-
7100	Interest income	572	-	160	-
7140	Bargain purchase gain- acquiring a subsidiary (Note 23)	<u>372</u>	=	=	=
7000	Total non-operating income and expenses	<u>73,757</u>	<u>1</u>	<u>16,754</u>	<u>1</u>

(Continued)

SAN-FU CHEMICAL CO., LTD.

**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

Code	2021		2020	
	Amount	%	Amount	%
7900	\$820,289	18	\$495,437	14
7950	(146,646)	(3)	(95,964)	(3)
8200	<u>673,643</u>	<u>15</u>	<u>399,473</u>	<u>11</u>
	OTHER COMPREHENSIVE GAIN/(LOSS)			
8310	Items not be reclassified subsequently to profit or loss:			
8311	(4,125)	-	(2,183)	-
8316	(69,029)	(2)	10,836	-
8349	<u>10,686</u>	=	<u>1,716</u>	=
8360	(<u>62,468</u>)	(2)	<u>10,369</u>	=
8380	<u>37,722</u>	<u>1</u>	(<u>59,170</u>)	(1)
8300	(<u>24,746</u>)	(1)	(<u>48,801</u>)	(1)
8500	<u>\$648,897</u>	<u>14</u>	<u>\$350,672</u>	<u>10</u>
	EARNINGS PER SHARE (Note 22)			
9710	<u>\$6.69</u>		<u>\$4.36</u>	
9810	<u>\$6.68</u>		<u>\$4.36</u>	

(Concluded)

The accompanying notes are an integral part of the parent company only financial statements.

SANUO CHEMICAL CO., LTD.

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED DECEMBER 31, 2021 AND 2020**

(Expressed in thousands of New Taiwan Dollars)

	<u>Capital Stock (Note 18)</u>		<u>Equity attributable to the Owners of the Company</u>				<u>Retained Earnings (Note 18)</u>			<u>Other equity</u>			<u>Total Equity</u>
	<u>Shares</u> <u>(In Thousands)</u>	<u>Amount</u>	<u>Capital Surplus</u> <u>(Note 18)</u>	<u>Legal</u> <u>Capital Reserve</u>	<u>Special Capital</u> <u>Reserve</u>	<u>Unappropriated</u> <u>Earnings</u>	<u>Exchange</u> <u>Differences on</u> <u>Translating</u> <u>Foreign Operations</u>	<u>Unrealized</u> <u>Gains (Losses)</u> <u>On Financial</u> <u>Assets at Fair</u> <u>Value Through</u> <u>Other</u> <u>Comprehensive</u> <u>Income</u>					
A1	90,706	90,706	\$670,626	\$217,850	\$6,442	\$1,410,290	(\$68,651)	\$12,358			\$3,155,975		
B1	-	-	-	32,447	49,851	(32,447)	-	-	-	-	-		
B3	-	-	-	-	-	(49,851)	-	-	-	-	-		
B5	-	-	(27,212)	-	-	(199,553)	-	-	-	-	(226,765)		
C3	-	-	6,746	-	-	-	-	-	-	-	6,746		
E1	10,000	10,000	387,000	-	-	-	-	-	-	-	487,000		
N1	-	-	19,031	-	-	-	-	-	-	-	19,031		
D1	-	-	-	-	-	399,473	-	-	-	-	399,473		
D3	-	-	-	-	-	(1,746)	(59,170)	12,115	-	-	(48,801)		
D5	-	-	-	-	-	397,727	(59,170)	12,115	-	-	350,672		
Z1	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	-	-	6,124	-	-	-	-	-	-	-	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		

The accompanying notes are an integral part of the parent company only financial statements.

SAN FUCHEMICAL CO., LTD.

**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
(Expressed in thousands of New Taiwan Dollars)

C o d e		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
A10000	Net income before income tax	\$ 820,289	\$ 495,437
A20010	Adjustments for:		
A20100	Depreciation expenses	248,856	230,089
A20300	Expected credit impairment losses	5,710	-
A20900	Finance costs	7,462	5,663
A21200	Interest income	(572)	(160)
A21300	Investment Income - Dividend	(1,593)	(1,092)
A21900	Shared-based compensation Cost	1,716	19,031
A22400	Gain/Loss of associates and joint ventures using equity method	(56,099)	(10,079)
A22500	Loss from disposal of property, plant and equipment	(274)	40
A22600	Transfer fee from property, plant and equipment	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	60	(5,961)
A24100	Unrealized foreign currency exchange (gain) loss	635	(2,242)
A29900	Bargain purchase Gain	(372)	-
A29900	Lease modification benefits	(6)	-
A30000	Change in operating assets and liabilities		
A31125	Contract Assets - Current	530	(2,108)
A31130	Notes receivable	2,407	(2,936)
A31150	Accounts receivable	(438,888)	(120,927)
A31160	Accounts receivable – related parties	(68,429)	134,112
A31200	Inventories	(304,596)	75,457
A31230	Prepayments	(153,121)	(39,890)
A31240	Other current assets	(31,938)	6,497
A31260	Contract asset – noncurrent	5,941	8,676
A32125	Contract liability	46,309	146,667
A32150	Accounts receivable	196,718	(11,215)
A32160	Accounts payable - related parties	2,868	(6,769)
A32180	Other payables	80,353	23,461
A32230	Other current liabilities	(460)	(32)
A32240	Net defined benefit liabilities - noncurrent	(872)	(15,559)
A32990	Other noncurrent liabilities	91	(497)
A33000	Cash generated from operations	\$ 339,646	\$ 925,663
A33100	Interest received	572	160
A33200	Dividend received	1,593	1,092
A33300	Interest paid	(7,348)	(5,738)

(Continued)

SAN FUCHEMICAL CO., LTD.

**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**
(Expressed in thousands of New Taiwan Dollars)

C o d e	2021	2020.
A33500	(<u>101,438</u>)	(<u>40,296</u>)
AAAA	<u>233,025</u>	<u>880,881</u>
	(<u>101,438</u>)	(<u>40,296</u>)
	CASH FLOWS FROM INVESTING ACTIVITIES	
B00010		(30,466)
B00040	-	(216,115)
B02200	(486,275)	(385,741)
B02700	(123,539)	(176,833)
B02800	543	472
B03700	248	(1,756)
B07100	(38,344)	(93,242)
B07600	<u>11,793</u>	=
BBBB	(<u>635,574</u>)	(<u>903,681</u>)
	CASH FLOWS FROM FINANCING ACTIVITIES	
C00100	405,000	30,000
C01600	240,000	240,000
C01700	(278,071)	(7,427)
C04020	(17,309)	(17,649)
C04500	(302,118)	(226,765)
C04600	-	487,000
C09900	<u>6,124</u>	<u>6,746</u>
CCCC	<u>53,626</u>	<u>511,905</u>
DDDD	(<u>542</u>)	<u>470</u>
EEEE	(349,465)	489,575
E00100	<u>606,487</u>	<u>116,912</u>
E00200	<u>\$ 257,022</u>	<u>\$ 606,487</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, 2021 AND 2020

(All Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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. APPROVAL 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 25, 2021.

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 “Interest Rate Benchmark Reform - Phase 2” (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) 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 International Financial Reporting Standards (IFRS) recognized by FSC applicable in 2022

New, Amended and Revised Standards and Interpretations	Effective Date Issued by IASB
“Annual Improvements to IFRS Standards 2018-2020” Cycle	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidation financial statements were authorized for issue, the Company are continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

New, Amended and Revised 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
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, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2022 (Note 4)

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: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for the recognition of deferred income tax on temporary differences between lease and decommissioning obligations on January 1, 2022, the amendment is applicable to transactions that occur after January 1, 2022. The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on 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.

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 its financial statements, the Company's accounts for subsidiaries, associates and joint ventures are using the 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 consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated 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 expected to be realized within 12 months after the reporting period; and
- 2) 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 is 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 the 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 the 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 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.

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 the 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 the 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 the 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) Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. 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.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to 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.

1. 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 the 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 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 borrowings 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 generally recognized for all 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. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow 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 liabilities are settled or the assets are 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 taxes for the year

Current and deferred taxes 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 taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management 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 considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

Write-down of inventories

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>	
	2021	2020
Cash on hand	\$ 330	\$ 330
Demand deposits	256,692	336,157
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	-	270,000
	<u>\$ 257,022</u>	<u>\$ 606,487</u>

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

	<u>December 31</u>	
	2021	2020
Demand deposits	0.001%-0.04%	0.001%-0.05%
Time deposits	-	0.06%

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Domestic investments		
Listed shares	\$ 27,298	\$ 47,020
Unlisted shares	<u>6,698</u>	<u>6,698</u>
	<u>33,996</u>	<u>53,718</u>
Foreign investments		
Unlisted shares	<u>-</u>	<u>49,307</u>
	<u>\$ 33,996</u>	<u>\$ 103,025</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. 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 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.

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months	<u>\$ 222,400</u>	<u>\$ 222,400</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.06% ~ 0.28% and 0.06 ~ 0.41% per annum as of DECEMBER 31, 2021 AND 2020, respectively.

Refer to Note 29 for information related to investments in financial assets at amortized cost pledge as security.

9. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 15,543</u>	<u>\$ 17,950</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,444,010	1,004,980
Less: Allowance for impairment loss	(6,200)	(571)
	<u>\$ 1,437,810</u>	<u>\$ 1,004,409</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, 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>

December 31, 2020

	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	\$1,003,716	\$ 693	\$ -	\$ -	\$ 571	\$ -	\$1,004,980
Loss allowance (Lifetime ECL)	-	-	-	-	(571)	-	(571)
Amortized cost	<u>\$1,003,716</u>	<u>\$ 693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,004,409</u>

The movements of the loss allowance of accounts receivable were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, Beginning of year	\$ 571	\$ 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>\$ 571</u>

10. INVENTORIES

	December 31	
	2021	2020
Merchandise	\$ 8,633	\$ 6,392
Finished goods	191,032	113,789
Work in progress	11,032	11,261
Semi-finished goods	1,393	1,875
Supplies and Spare Parts	24,655	18,816
Raw materials	<u>404,854</u>	<u>184,930</u>
	<u>\$ 641,599</u>	<u>\$ 337,063</u>

The cost of inventories recognized as cost of goods sold (including construction cost) for the years ended December 31, 2021 and 2020 was \$3,335,571 thousand and \$2,789,687 thousand, respectively.

The cost of goods sold included inventory write-downs reserved \$60 thousand and inventory write-downs \$5,961 thousand for the years ended December 31, 2021 and 2020, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 1,886,909	\$ 1,290,128
Investments in associates	<u>51,488</u>	<u>58,949</u>
	<u>\$ 1,938,397</u>	<u>\$ 1,349,077</u>

a. Investments in subsidiaries

	December 31	
	2021	2020
San Fu Specialty Chemicals Investments Limited	\$ 489,631	\$ 413,192
San Fu Food Additives Investments Limited	-	344
VinaSanFu Industrial Gas Company Limited	354,117	310,601
VinaSanFu Material Company Limited	\$ 312,691	\$ 269,074
International Nitto Technology Co., Ltd.	383,192	148,365
San Fu Biotech Co., Ltd.	251,151	148,552
Lifu Carbonate Co., Ltd.	<u>96,127</u>	<u>-</u>
	<u>\$ 1,886,909</u>	<u>\$ 1,290,128</u>

Name of Subsidiaries	Proportion of Ownership and Voting Rights		
	December 31		
	2021	2020	Remarks
San Fu Specialty Chemicals Investments Limited	100%	100%	
San Fu Food Additives Investments Limited	-	100%	Note 1
San Fu Biotech Co., Ltd.	93%	100%	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%	25%	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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Associates that are not individually material	<u>\$ 51,488</u>	<u>\$ 58,949</u>
<u>Aggregate information of associates that are not individually material</u>		
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
The Company's share of:		
Net profit for the year	(\$749)	(\$2,590)
Other comprehensive (loss) income	<u>2,132</u>	(<u>1,563</u>)
Total comprehensive income for the year	<u>\$ 1,383</u>	(<u>\$4,153</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.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equip- ment	Transpor- tation	Other Equip- ment	Property under Construc- tion	Total
<u>Cost</u>							
Balance at 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	-	-	(33,615)	(359)	(3,201)	-	(37,175)
Balance at 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>
<u>Accumulated depreciation and impairment</u>							
Balance at 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 at 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>

(Continued)

	Land	Buildings	Equip- ment	Transpor- tation	Other Equip- ment	Property under Construc- tion	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 63,707	\$ 786,320	\$ 1,937,519	\$ 343,558	\$ 294,907	\$ 64,768	\$ 3,490,779
Reclassifications	-	11,826	40,968	55	37,358	(76,556)	13,651
Additions	-	6,722	35,826	2,211	24,781	75,855	145,395
Disposals	-	-	(81,238)	(2,294)	(8,489)	-	(92,021)
Balance at Dec. 31, 2020	<u>\$ 63,707</u>	<u>\$ 804,868</u>	<u>\$ 1,933,075</u>	<u>\$ 343,530</u>	<u>\$ 348,557</u>	<u>\$ 64,067</u>	<u>\$ 3,557,804</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 340,762	\$ 1,366,304	\$ 265,083	\$ 239,751	\$ -	\$ 2,211,900
Depreciation expenses	-	43,024	122,772	19,762	26,675	-	212,233
Disposals	-	-	(81,238)	(1,854)	(8,417)	-	(91,509)
Balance at Dec. 31, 2020	<u>\$ -</u>	<u>\$ 383,786</u>	<u>\$ 1,407,838</u>	<u>\$ 282,991</u>	<u>\$ 258,009</u>	<u>\$ -</u>	<u>\$ 2,332,624</u>
Carrying amounts at December 31, 2020	\$ 63,707	\$ 421,081	\$ 525,237	\$ 60,539	\$ 90,548	\$ 64,067	\$ 1,225,180 (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 borrowings is set out in Note 29.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Land	\$ 42,773	\$ 46,673
Buildings	6,687	2,101
Transportation equipment	<u>7,585</u>	<u>8,478</u>
	<u>\$ 57,045</u>	<u>\$ 57,252</u>
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 19,781</u>	<u>\$ 11,037</u>
Depreciation charge for right-of-use assets		
Land	\$ 8,093	\$ 8,253
Buildings	5,821	5,755
Transportation equipment	<u>3,581</u>	<u>3,848</u>
	<u>\$ 17,495</u>	<u>\$ 17,856</u>

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Current	\$ 15,226	\$ 12,588
Non-current	<u>42,557</u>	<u>45,222</u>
	<u>\$ 57,783</u>	<u>\$ 57,810</u>

Range of discount rates for lease liabilities are as follows:

	December 31	
	2021	2020
Land	1.03%	1.03%
Buildings	1.03%	1.03%
Transportation equipment	1.03%	1.03%

c. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 4,705</u>	<u>\$ 4,098</u>
Expenses relating to low-value asset leases	<u>\$ 903</u>	<u>\$ 1,012</u>
Total cash outflow for leases	(\$ <u>23,538</u>)	(\$ <u>23,418</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.

14. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
<u>Secured borrowings (Note 29)</u>		
Bank loans	\$ 280,000	\$ 250,000
<u>Unsecured borrowings</u>	<u>605,000</u>	<u>230,000</u>
Bank loans	<u>\$ 885,000</u>	<u>\$ 480,000</u>

The range of weighted average effective interest rates on bank loans was 0.78%-0.91% and 0.83%-0.99% per annum as of December 31, 2021 and 2020, respectively.

b. Long-term borrowings

	<u>December 31</u>	
	2021	2020
<u>Unsecured borrowings</u>		
Bank loans	\$ 194,502	\$ 232,573
Less: Current portion matured within a year	(<u>90,572</u>)	(<u>38,072</u>)
Long-term borrowings	<u>\$ 103,930</u>	<u>\$ 194,501</u>

The range of weighted average effective interest rates on bank loans was 1.175%-1.25% per annum as of December 31, 2021 and 2020, respectively.

15. NOTES AND ACCOUNTS PAYABLE

	<u>December 31</u>	
	2021	2020
Notes payable	\$ 479	\$ 479
Accounts payable	<u>387,636</u>	<u>190,697</u>
	<u>\$ 388,115</u>	<u>\$ 191,176</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.

16. OTHER PAYABLES

	<u>December 31</u>	
	2021	2020
Other payables		
Payable for accrued expenses	\$ 234,843	\$ 154,376
Payable for constructions	16,935	16,512
Payable for purchases of equipment	<u>22,851</u>	<u>11,616</u>
	<u>\$ 274,629</u>	<u>\$ 182,504</u>

17. 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 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 on the basis of 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 parent company only balance sheets in respect of the Company's defined benefit plans were as follows:

	Years Ended December 31	
	2021	2020
Present value of defined benefit obligation	\$ 132,399	\$ 127,837
Fair value of plan assets	(104,608)	(103,299)
Net defined benefit liabilities	<u>\$ 27,791</u>	<u>\$ 24,538</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 at January 1, 2020	\$ 125,533	(\$ 87,619)	\$ 37,914
Service cost			
Current service cost	666	-	666
Net interest expense (income)	<u>941</u>	(711)	<u>230</u>
Recognized in profit or loss	<u>1,607</u>	(711)	<u>896</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,679)	(2,679)
Actuarial loss			
Changes in financial assumptions	3,812	-	3,812
Experience adjustments	<u>1,050</u>	<u>-</u>	<u>1,050</u>
Recognized in other comprehensive income	<u>4,862</u>	(2,679)	<u>2,183</u>
Contributions from the employer	-	(16,455)	(16,455)
Benefits paid	(4,165)	<u>4,165</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 127,837</u>	(<u>\$ 103,299</u>)	<u>\$ 24,538</u>
Balance at January 1, 2021	\$ 127,837	(\$ 103,299)	\$ 24,538
Service cost			
Current service cost	621	-	621
Net interest expense (income)	<u>475</u>	(385)	<u>90</u>
Recognized in profit or loss	<u>1,096</u>	(385)	<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>	(1,419)	<u>4,125</u>
Contributions from the employer	-	(1,583)	(1,583)
Benefits paid	(2,078)	<u>2,078</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 132,399</u>	(<u>\$ 104,608</u>)	<u>\$ 27,791</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	
	2021	2020
Operating costs	\$ 431	\$ 539
Selling and marketing expenses	76	109
General and administrative expenses	196	236
Research and development expenses	<u>8</u>	<u>12</u>
	<u>\$ 711</u>	<u>\$ 896</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:

	December 31	
	2021	2020
Discount rates	0.625%	0.375%
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:

	December 31	
	2021	2020
Discount rate(s)		
0.25% increase	(\$ 2,426)	(\$ 2,561)
0.25% decrease	<u>\$ 2,501</u>	<u>\$ 2,645</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 2,423</u>	<u>\$ 2,556</u>
0.25% decrease	(\$ 2,363)	(\$ 2,489)

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>	
	<u>2021</u>	<u>2020</u>
Expected contributions to the plans for the next year	\$ <u>1,583</u>	\$ <u>16,455</u>
Average duration of the defined benefit obligation	7.4 years	8.1 years

18. EQUITY

a. Capital stock

Ordinary shares

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
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>

On August 6, 2020, the Company's board of directors resolved to issue 10,000 thousand ordinary shares with a par value of \$10, for a consideration of \$48.7 per share which increased the Capital stock issued and fully paid to \$1,007,060 thousand. On October 8, 2020, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors to be December 1, 2020.

b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to Capital stock (1)		
Issuance of ordinary shares	\$ 870,611	\$ 971,317
Donations (Note 28)	34,043	27,919
<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
Recognition of changes in ownership interests in subsidiaries (3)	(<u>859</u>)	<u>-</u>
	<u>\$ 960,750</u>	<u>\$ 1,056,191</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 the equity method.

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 reserve of 10% of the remaining profit, setting aside or reversing a special 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 20-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 reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal 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 Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special 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 2020 and 2019 were approved in the shareholders' meetings on July 5, 2021 and June 16, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Legal reserve	<u>\$ 40,984</u>	<u>\$ 32,447</u>
Special reserve	<u>\$ 47,055</u>	<u>\$ 49,851</u>
Cash dividends	<u>\$ 201,412</u>	<u>\$ 199,553</u>
Cash dividends per share	<u>\$ 2.0</u>	<u>\$ 2.2</u>

The appropriations of 2020 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 2020	Third Quarter of 2020	Second Quarter of 2020	First Quarter of 2020
	February 26, 2021	November 8, 2020	August 9, 2020	May 5, 2020
Resolution Date of the Company's Board of Directors in its Meeting				
Cash dividends to shareholders	<u>\$ 201,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash dividends per share (NT\$)	<u>\$ 2.0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Company's shareholders' meeting approved distributing cash dividends \$100,706 thousand and 27,212 thousand (\$ 1.0 and \$0.3 dollars per share) with capital reserves on July 5, 2021 and June 16, 2020 respectively.

The appropriation of earnings for 2021 had been approved by the Company's Board of Directors on February 25, 2022 were as follows:

	For the Year Ended December 31, 2021
Legal reserve	<u>\$ 67,034</u>
Special reserve	<u>\$ 21,446</u>
Cash dividends	<u>\$ 302,118</u>
Cash dividends per share	<u>\$ 3.0</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:

Resolution Date of the Company's Board of Directors in its Meeting	Fourth Quarter of 2021	Third Quarter of 2021	Second Quarter of 2021	First Quarter of 2021
	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>

d. Special reserve

	For the Year Ended December 31	
	2021	2020
Beginning at January 1	\$ 56,293	\$ 6,442
Appropriations in respect of Debits to other equity items	<u>47,055</u>	<u>49,851</u>
Balance at December 31	<u>\$ 103,348</u>	<u>\$ 56,293</u>

19. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from sale of goods	\$ 4,343,029	\$ 3,192,735
Construction contract revenue	<u>138,578</u>	<u>424,023</u>
	<u>\$ 4,481,607</u>	<u>\$ 3,616,758</u>

Contract Balances

	December 31	
	2021	2020
Contract assets		
Properties construction - current	\$ 8,200	\$ 8,730
Properties construction - non-current	<u>-</u>	<u>5,941</u>
	<u>\$ 8,200</u>	<u>\$ 14,671</u>

Contract liabilities		
Properties construction - current	\$ 182,441	\$ 154,478
Sale of goods- current	<u>20,790</u>	<u>2,444</u>
	<u>\$ 203,231</u>	<u>\$ 156,922</u>

20. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2021	2020
Dividends	\$ 1,593	\$ 1,092
Rendering of services	3,692	6,384
Subsidies	3,500	-
Others	<u>10,747</u>	<u>14,221</u>
	<u>\$ 19,532</u>	<u>\$ 21,697</u>

b. Other gains and losses

	For the Year Ended December 31	
	2021	2020
(Losses) gains from disposal of property, plant and equipment	\$ 274	(\$ 40)
Gains from disposal of subsidiaries	424	-
Gains from disposal of investment using equity method	22,797	-
Net foreign exchange losses	(12,973)	(9,281)
Others	<u>(5,878)</u>	<u>(198)</u>
	<u>\$ 4,644</u>	<u>(\$ 9,519)</u>

c. Depreciation

	For the Year Ended December 31	
	2021	2020
Properties, plants and equipment	\$ 231,361	\$ 212,233
Right-of-use assets	<u>17,495</u>	<u>17,856</u>
	<u>\$ 248,856</u>	<u>\$ 230,089</u>
 An analysis of depreciation by function		
Operating costs	\$ 221,672	\$ 208,745
Operating expenses	<u>27,184</u>	<u>21,344</u>
	<u>\$ 248,856</u>	<u>\$ 230,089</u>

d. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 11,693	\$ 10,879
Defined benefit plans (Note 17)	711	896
Share-based payments compensation costs	1,716	19,031
Short-term benefits		
Salaries	317,470	288,364
Labor and health insurance	26,927	23,795
Others	<u>52,860</u>	<u>45,224</u>
Total employee benefits expense	<u>\$ 411,377</u>	<u>\$ 388,189</u>

An analysis of employee benefits expense by function

Operating costs	\$ 210,753	\$ 191,284
Operating expenses	<u>200,624</u>	<u>196,905</u>
	<u>\$ 411,377</u>	<u>\$ 388,189</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, 2021 and 2020, which were approved by the Company's board of directors on February 25, 2022 and February 26, 2021, respectively, are as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Employees' compensation	1.95%	1.90%
Remuneration of directors and supervisors	1.95%	1.90%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	\$ 16,600	\$ 9,800
Remuneration of directors and supervisors	16,600	9,800

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 25, 2022, February 26, 2021 and February 25, 2020, and those meetings resulted in the actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2021, 2020 and 2019 to differ from the amounts recognized in the parent company only financial statements for the years ended December 31, 2021, 2020 and 2019, respectively. The differences were adjusted to profit and loss for the years ended December 31, 2022, 2021 and 2020, respectively.

	<u>For the Year Ended December 31</u>					
	<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>Employees, Compensation</u>	<u>Remuneration of Directors and Supervisors</u>	<u>Employees, Compensation</u>	<u>Remuneration of Directors and Supervisors</u>	<u>Employees, Compensation</u>	<u>Remuneration of Directors and Supervisors</u>
Amounts approved in the board of directors' meeting	<u>\$ 16,588</u>	<u>\$ 16,588</u>	<u>\$ 10,547</u>	<u>\$ 10,547</u>	<u>\$ 9,424</u>	<u>\$ 9,424</u>
Amounts recognized in the annual parent company only financial statements	<u>\$ 16,600</u>	<u>\$ 16,600</u>	<u>\$ 9,800</u>	<u>\$ 9,800</u>	<u>\$ 7,540</u>	<u>\$ 7,540</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	
	2021	2020
Interest on bank loans	\$ 6,841	\$ 5,004
Interest on lease liabilities	<u>621</u>	<u>659</u>
	<u>\$ 7,462</u>	<u>\$ 5,663</u>

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2021	2020
Foreign exchange gains	\$ 18,416	\$ 15,904
Foreign exchange losses	<u>(31,389)</u>	<u>(25,185)</u>
Net losses	<u>(\$ 12,973)</u>	<u>(\$ 9,281)</u>

21. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	Years Ended December 31	
	2021	2020
Current tax		
In respect of the current period	\$ 147,523	\$ 89,024
Adjustments for prior periods	<u>(3,587)</u>	<u>(2,304)</u>
	<u>143,936</u>	<u>86,720</u>
Deferred tax		
In respect of the current period	<u>2,710</u>	<u>9,244</u>
Income tax expense recognized in profit or loss	<u>\$ 146,646</u>	<u>\$ 95,964</u>

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

	Years Ended December 31	
	2021	2020
Profit before tax	<u>\$ 820,289</u>	<u>\$ 495,437</u>
Income tax expense calculated at the statutory rate	\$ 164,058	\$ 99,087
Nondeductible expenses in determining taxable income	1,213	66
Tax-exempt income	<u>(7,250)</u>	<u>(3,128)</u>
Additional income for tax purpose	1,225	1,349
Unrecognized deductible temporary differences	<u>(9,013)</u>	<u>894</u>
Adjustments for prior years' tax	<u>(3,587)</u>	<u>(2,304)</u>
Income tax expense recognized in profit or loss	<u>\$ 146,646</u>	<u>\$ 95,964</u>

b. Income tax expense recognized in other comprehensive income

Deferred Income Tax

	<u>Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Related to unrealized gain/loss on investments in equity instruments at FVTOCI	\$ 9,861	\$ 1,279
Related to remeasurement of defined benefit plan	825	437
	<u>\$ 10,686</u>	<u>\$ 1,716</u>

c. Current tax liabilities

	<u>Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Current tax liabilities		
Income tax payable	<u>\$ 102,991</u>	<u>\$ 60,493</u>

Prepaid income tax of \$44,532 thousand and \$28,530 thousand has been deducted from the income tax payable for 2021 and 2020, respectively.

d. Deferred income tax assets and liabilities

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

For the year ended December 31, 2021

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehen sive Income	Acquired from business combinatio n	Balance, End of Year
<u>Deferred income tax assets</u>					
Temporary differences					
Defined benefit plan	\$ 4,907	(\$ 174)	\$ 825	\$ -	\$ 5,558
Property, plant and equipment	3,804	(773)	-	-	3,031
Investments accounted for using the 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
FVOCI financial assets	2,544	-	9,861	-	12,405
Others	8,613	1,047	-	-	9,660
	\$ 26,916	(\$ 2,818)	\$ 10,686	\$ -	\$ 34,784
<u>Deferred income tax liabilities</u>					
Temporary differences					
Others	108	(108)	-	-	-

(Continued)

For the year ended December 31, 2020

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensiv e Income	Balance, End of Year
<u>Deferred income tax assets</u>				
Temporary differences				
Defined benefit obligations	\$ 7,582	(\$ 3,112)	\$ 437	\$ 4,907
Property, plant and equipment	7,000	(3,196)	-	3,804
Investments accounted for using the equity method	3,460	-	-	3,460
Payables for annual leave	1,049	116	-	1,165
Allowance for impairment loss	1,627	(198)	-	1,429
Unrealized exchange loss	1,442	(448)	-	994
FVOCI financial assets	1,265	-	1,279	2,544
Others	<u>10,911</u>	<u>(2,298)</u>	<u>-</u>	<u>8,613</u>
	<u>\$ 34,336</u>	<u>(\$ 9,136)</u>	<u>\$ 1,716</u>	<u>\$ 26,916</u>
 <u>Deferred tax liabilities</u>				
Temporary differences				
Others	<u>\$ -</u>	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ 108</u> (Concluded)

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

As of December 31, 2021, and 2020, the taxable temporary differences associated with investments in subsidiaries and associates for which no deferred tax liabilities have been recognized were \$62,330 thousand and \$53,318 thousand, respectively.

- f. Income tax assessments

Income tax returns of the Company for the year 2019 have been assessed by the tax authorities.

22. EARNINGS PER SHARE (EPS)

Unit: NT\$ Per Share

	<u>Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Basic earnings per share		
Basic earnings per share	<u>\$ 6.69</u>	<u>\$ 4.36</u>
Diluted earnings per share		
Diluted earnings per share	<u>\$ 6.68</u>	<u>\$ 4.36</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>	
	<u>2021</u>	<u>2020</u>
Profit for the year	<u>\$ 673,643</u>	<u>\$ 399,473</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>2021</u>	<u>2020</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	100,706	91,553
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>121</u>	<u>151</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>100,827</u>	<u>91,704</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.

23. MERGER (BUSINESS COMBINATION)

a. Acquisition of Subsidiary

	<u>Major Operating Activity</u>	<u>Acquisition Date</u>	<u>Ownership with Voting Rights/ Acquisition Ratio (%)</u>	<u>Transfer Consideration</u>
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	(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 thousand

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	(116,988)
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

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

f. The impact of business mergers on business results

Since the acquisition date, the operating results from the acquired company were as follows:

	Lifu Carbon Acid Co., Ltd.
Operating revenue	<u>\$ -</u>
Net loss for the period	(<u>\$ 6,498</u>)

If business combinations occurred on the beginning of the fiscal year to which the acquisition date belongs, the proposed operating revenue and proposed net profit of the Company from January 1 to December 31, 2021 will be NT\$4,776,980 thousand and NT\$ 671,572 thousand respectively. Such amounts cannot reflect the actual revenue and operating results of the Company if the business combination was completed on the start date of the acquisition year, and should not be used to predict future operating results.

24. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee restricted stock awards

The compensation costs due to issuance of ordinary shares for cash granted by employee in October 2020 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	October 2021
Grant-date share price	\$69.00
Exercise price	\$48.70
Expected volatility	39.75%
Expected life (in days)	29
Expected dividend yield	-
Risk-free interest rate	0.14%

Expected volatility is based on the back calculation of the grant-date which uses the Company's daily annualized standard deviation of returns as hypotheses.

Compensation costs recognized were \$19,031 thousand for the year ended December 31, 2020.

b. 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:

	November 2021
Grant-date share price	\$11.43
Exercise price	\$ 10
Expected volatility	8.02%
Expected life (in years)	0.15
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 thousand for the year ended December 31, 2021.

25. NON-CASH TRANSACTION

For the years ended December 31, 2021 and 2020, 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 2021 and 2020 (Notes 12 and 16).

	Years Ended December 31	
	2021	2020
Prepayments for equipment transferred (reclassification)	<u>\$ 30,324</u>	<u>\$ 13,651</u>
Purchase of property, plant and equipment	\$ 135,197	\$ 145,395
(Increase)/Decrease in payable of construction payment and purchases of equipment	<u>(11,658)</u>	<u>31,438</u>
Paid in cash by acquiring property, plant and equipment	<u>\$ 123,539</u>	<u>\$ 176,833</u>

26. 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.

27. 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, 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>

	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</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
Foreign unlisted shares	-	-	49,307	49,307
Total	<u>\$ 47,020</u>	<u>\$ -</u>	<u>\$ 56,005</u>	<u>\$ 103,025</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

2) Financial Instruments Applied for Level 3 Adjustment at FVTOCI

	Financial assets at FVTOCI	
	Through other comprehensive income	
	2021.1.1-12.31	2020.1.1.-12.31
<hr/>		
<u>Financial assets – Equity instrument</u>		
Beginning balance	\$ 56,005	\$ 31,937
Purchase	-	30,466
Foreign exchange difference	-	(6,398)
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)	(<u>49,307</u>)	<u>-</u>
Ending balance	<u>\$ 6,698</u>	<u>\$ 56,005</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 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.

	2021.12.31	2020.12.31
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:

	2021.12.31	2020.12.31
Discount for lack of marketability		
1% decrease	<u>\$ 77</u>	<u>\$ 81</u>
Non-controlling interests discount		
1% decrease	<u>\$ 73</u>	<u>\$ 76</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

	2021.12.31	2020.12.31
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 2,029,768	\$ 1,879,906
Financial assets at FVTOCI	33,996	103,025
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	1,750,407	1,091,548

Note 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. Those reclassified to held-for-sale disposal groups are included.

Note 2):

The balances include financial liabilities at amortized cost, which comprise short-term borrowings, notes payables, account payables - related parties, long-term liabilities due within one year, others payable and long-term borrowings. Those reclassified to held-for-sale disposal groups are included.

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 due within one year, 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's activities exposed it primarily to the financial risks of 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 use the natural hedge against its currency

risk. The Company monitor and evaluate 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 30.

Sensitivity Analysis

The Company were 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	
	2021	2020
Profit or loss	<u>\$ 15,731</u> (i)	<u>\$ 11,074</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 are exposed to interest rate risk 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 2021 and 2020 were NT\$7,462 thousand and NT\$ 5,663 thousand respectively, which only constitute 0.17% and 0.16% of parent company only 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	
	2021	2020
Fair value interest rate risk		
Financial liabilities	\$ 922,783	\$ 537,810
Cash flow interest rate risk		
Financial liabilities	214,502	232,573

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 2021 and 2020 would decrease/increase by NT\$ 107 thousand and NT\$ 116 thousand, respectively.

c) Other Price Risks

The Company are exposed to price risk due to equity 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 2021 and 2020 would have increased/decreased by NT\$ 1,700 thousand and NT\$ 5,151 thousand respectively, because of the changes in fair value of financial assets at FVTOCI.

2) Credit Risk

Credit risk refers to the risk that a counterparty 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 credit risk is expected to be immaterial as the companies A, B and C are all reliable and trustworthy counterparties.

3) Liquidity Risk

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, 2021, and 2020, the Company had available unutilized short-term bank loan facilities in the amount of NT\$651,415 thousand, NT\$ 996,147 thousand, 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, 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>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
Lease liabilities	\$ 1,288	\$ 2,577	\$ 9,169	\$ 21,182	\$ 26,117
Variable interest rate liabilities	-	5,143	20,429	207,001	-
Fixed interest rate liabilities	<u>300,000</u>	<u>180,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 301,288</u>	<u>\$ 187,720</u>	<u>\$ 29,598</u>	<u>\$ 228,183</u>	<u>\$ 26,117</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	\$ <u>13,034</u>	\$ <u>21,182</u>	\$ <u>26,117</u>

28. 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

<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
San Fu Tech Co., Ltd.	Subsidiary
International Nitto Technology Co., Ltd.	Subsidiary
Shian Yun Joint Stock Company (Vietnam)	Associates
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

	<u>Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Sales</u>		
Subsidiaries	\$ 44,158	\$ 56,461
Joint ventures	23,527	11,744
Associate	<u>60</u>	<u>-</u>
	<u>\$ 67,745</u>	<u>\$ 68,205</u>
<u>Purchase</u>		
Subsidiaries	\$ 17,434	\$ 15,615
Joint ventures	1,024	88
Associates	<u>10,975</u>	<u>13,216</u>
	<u>\$ 29,433</u>	<u>\$ 28,919</u>

	<u>Years Ended December 31</u>	
	2021	2020
<u>Service expense (recognized as other income)</u>		
Joint ventures		
Sanfuming Electronic Material Co., Ltd.	\$ 3,692	\$ 6,017
Associates	<u>-</u>	<u>367</u>
	<u>\$ 3,692</u>	<u>\$ 6,384</u>
 <u>Service expense (recognized as other expense)</u>		
Investors with significant influence over the Company	<u>\$ 1,143</u>	<u>\$ 1,279</u>
 <u>Entertainment expense (recognized as sales cost and expense)</u>		
Subsidiaries	<u>\$ 578</u>	<u>\$ 446</u>
 <u>Donation expense</u>		
Others		
Fulu Cultural Foundation	<u>\$ -</u>	<u>\$ 1,000</u>
 <u>Management service revenue (recognized as an offset to operating expenses and cost of goods sold) (Note 1)</u>		
Subsidiaries	(<u>\$ 18,744</u>)	(<u>\$ 16,060</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.

	<u>Years Ended December 31</u>	
	2021	2020
<u>Accounts receivable - related party</u>		
Subsidiary		
San Fu Biotech Co., Ltd.	\$ 18,260	\$ 12,363
Joint ventures	15,935	3,573
 <u>Other receivable - related party</u>		
Subsidiary		
San Fu Biotech Co., Ltd.	9,301	6,412
Sanfu Vietnam Gas Co., Ltd.	49,805	-
<u>Others</u>	-	295
Joint ventures	<u>3,692</u>	<u>6,017</u>
	<u>\$ 96,993</u>	<u>\$ 28,660</u>
 <u>Accounts payable - related party</u>		
Investors with significant influence over the Company	\$ 300	\$ -
Subsidiary	4,391	3,248
Associates	<u>3,470</u>	<u>2,047</u>
	<u>\$ 8,161</u>	<u>\$ 5,295</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, 2021 and 2020, no impairment loss was recognized for accounts receivable from related parties.

c. Lease arrangements - Group is lessee

Line Item	Related Party Category/Name	Years Ended December 31		
		2021	2020	
Lease liabilities	Investors with significant influence over the Company			
		Sanfu Global Co., Ltd.	\$ 43,159	\$ 45,387
		Others	1,019	-
			<u>\$ 44,178</u>	<u>\$ 45,387</u>
		Years Ended December 31		
		2021	2020	
<u>Interest expense</u>				
Investors with significant influence over the Company				
Sanfu Global Co., Ltd.		\$ 453	\$ 518	
Others		16	6	
		<u>\$ 469</u>	<u>\$ 524</u>	

d. 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 \$6,124 thousand and \$6,746 thousand in 2021 and 2020, 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	
	2021	2020
Short-term employee benefits	\$ 33,882	\$ 33,795
Post-employment benefits	1,718	1,402
	<u>\$ 35,600</u>	<u>\$ 35,197</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

29. PLEDGED ASSETS

The following assets were provided as collateral for bank borrowings and obligations under the sales agreement:

	Years Ended December 31	
	2021	2020
Pledged deposits (classified as financial assets at amortized cost)	\$ 222,400	\$ 222,400
Land	40,349	40,349
Buildings, net	45,443	49,054
	<u>\$ 308,192</u>	<u>\$ 311,803</u>

30. 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, 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 the equity method				
USD	17,689	27.680	(USD: NTD)	489,361
VND	588,942,259	0.0012	(VND: NTE)	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

December 31, 2020

	Foreign Currencies	Exchange Rate		Carrying Amount
<u>Foreign Currency Assets</u>				
<u>Monetary items</u>				
USD	\$ 10,162	28.430	(USD: NTD)	\$ 288,906
<u>Non-monetary items</u>				
Investments in subsidiaries and associates using the equity method				
USD	14,508	28.480	(USD: NTD)	413,536
VND	554,570,270	0.0011	(VND: NTD)	615,461
<u>Foreign Currency Liabilities</u>				
<u>Monetary items</u>				
USD	2,363	28,530	(USD: NTD)	67,416

The significant unrealized foreign exchange gains (losses) were as follows:

<u>Foreign Currencies</u>	<u>For the Year Ended December 31, 2021</u>		<u>For the Year Ended December 31, 2020</u>	
	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>
USD	27.800 (USD: NTD)	\$ 1,366	28.430 (USD: NTD)	\$ 2,242
JPY	0.247 (JPY: NTD)	(2,001)	0.274 (JPY: NTD)	-

31. 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: None;
- b. Information on investees: See Table 5 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 6 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 7 attached;

SAN FU CHEMICAL CO., LTD.

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(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	\$ -	-	\$ -	\$ 1,657,881	(Note 3)	
0	San Fu Chemical Co., Ltd.	International Nitto Technology Co., Ltd.	Other receivables	Y	250,000	250,000	-	-	The need for Short-term financing	-	Operating capital	-	-	414,470	1,657,881	(Note 3)	
0	San Fu Chemical Co., Ltd.	VinaSanFu Industrial Gas Company Limited	Other receivables	Y	300,000	300,000	49,824 (USD 1,800,000) (Note 4)	1%	The need for Short-term financing	-	Operating capital	-	-	414,470	1,657,881	(Note 3)	
0	San Fu Chemical Co., Ltd.	VinaSanFu Material Company Limited	Other receivables	Y	300,000	300,000	-	-	The need for Short-term financing	-	Operating capital	-	-	414,470	1,657,881	(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, 2021 (USD\$1 = NT\$ 27.68)

SAN FU CHEMICAL CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

(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.	\$ 414,470	\$ 250,000	\$ 250,000	\$ 140,000	\$ -	6.03%	\$ 1,657,881	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.	414,470	300,000	300,000	83,040	-	7.24%	1,657,881	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.	414,470	300,000	300,000	166,080	-	7.24%	1,657,881	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.

**MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2021**
(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, 2021				Note
				Number of Shares (in Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
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	1,356,989	27,297	0.45%	27,297	Note 2
	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	-	52,917	2.40%	52,917	

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, 2021.

SAN FU CHEMICAL CO., LTD.

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, 2021

(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	15,000,000	\$ 148,365	25,000,000	\$ 250,000	(\$ 15,173)	\$ -	\$ -	\$ -	-	\$ 383,192

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.

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021**

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 5

Investor Company	Investee Company (Note 2)	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares (Thousands)	%	Carrying Amount			
San Fu Chemical Co., Ltd.	San Fu Specialty Chemicals Investments Limited	Samoa	Investment activities	\$2,351 thousand	\$2,351 thousand	2,350,840	100%	\$ 489,631	\$ 81,326	Note 1	
	San Fu Food Additives Investments Limited	Samoa	Investment activities	552 thousand	552 thousand	552,198	100%	-	-	Note 4	
	VinaSanFu Industrial Gas Company Limited	Vietnam	Engaged in industrial gas production	13,650 thousand	12,285 thousand	-	100%	354,117	(17,443)	Note 1	
	VinaSanFu Material Company Limited	Vietnam	Engaged in the production of chemical materials	12,200 thousand	10,700 thousand	-	100%	312,691	(17,883)	"	
	San Fu Biotech Co., Ltd.	Taiwan	Engaged in the manufacture and sale of food additives	210,000	125,000	21,500,000	100%	251,151	31,674	Notes 1 and 5 "	
	International Nitro Technology Co., Ltd	Taiwan	Engaged in electronic component manufacturing business	477,904	227,904	40,000,000	100%	383,192	(15,173)	"	
	Hongchong Enterprise Co., Ltd.	Taiwan	Liquid oxygen, oxygen, liquid nitrogen and other gas trading business	10,527	10,527	1,200,000	50%	14,510	1,026		
	Lifu Carbonate Co., Ltd.	Taiwan	Engaged in carbon dioxide gas, carbonic acid fire extinguisher, dry ice manufacturing and its sales and marketing	7,7,253	7,193	2,240	87%	96,127	(6,488)	Notes 1 and 3	
	Shian Yun Joint Stock Company	Vietnam	Engaged in industrial gas production	1,232 thousand	1,232 thousand	2,659,974	33.33%	36,978	(940)		
San Fu Specialty Chemicals Investments Limited	Sanfuming Electronic Material Co., Ltd.	Shanghai, China	Engaged in the operation of international trade business	2,151 thousand	2,151 thousand	-	50%	404,839	82,986		
	Sino Star Holding Limited	Samoa	Investment activities	1,868 thousand	1,868 thousand	1,867,838	100%	53,876	-	Note 1	
San Fu Food Additives Investments Limited	Fangda International (SAMOA) Ltd.	Samoa	Investment activities	1,300 thousand	1,300 thousand	1,300,000	41.94%	-	-	Note 4	

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 6.

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: The company "San Fu Food Additives Investments Limited" was dissolved and deregistered after liquidation is completed in May 2021.

Note 5: On December 20, 2021, 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%

SAN FU CHEMICAL CO., LTD.

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021**

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

TABLE 6

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (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, 2021 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Sanfuming Electronic Material Co., Ltd.	Engaged in the operation of international trade business	\$ 249,120 (US\$ 9,000,000) (Notes 1 and 4)	Through the third company reinvest in mainland companies	\$ 18,020 (US\$ 651,000)	\$-	\$-	\$ 18,020 (US\$ 651,000)	\$ 165,972	50	\$ 82,986	\$ 404,839 (US\$ 14,626,000)	\$ -
Hubei Xingfu Electronic Material Co., Ltd.	Engaged in manufacturing and selling chemical products	\$ 2,250,560 (CNY 520,000,000) (Note 2)	Through the third company reinvest in mainland companies	\$ 51,651 (US\$ 1,866,000)	-	-	\$ 51,651 (US\$ 1,866,000)	294,820	2.4	-	\$ 52,917 (US\$ 1,912,000)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 161,485 (US\$ 5,834,000) (Notes 5 and 6)	\$ 264,593 (9,559,000)	\$ 2,486,822

Note 1: The exchange rate on December 31, 2021 was USD\$1=NT\$ 27.68

Note 2: The exchange rate on December 31, 2021 was RMB\$1=NT\$ 4.328

Note 3: The average exchange rate was based on the USD\$1=NT\$ 28.009 for the 12-month period from January 1, 2021 to December 31, 2021.

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.

SAN FU CHEMICAL CO., LTD.

INFORMATION OF MAJOR SHAREHOLDERS

BASED ON THE INFORMATION REPORTED AS OF DECEMBER 31, 2021

TABLE 7

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.

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Item	Statements Index
Major Accounting Items in Assets, Liabilities and Equity	
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Major accounting items in profit or loss	
Statement of revenues	7
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STATEMENT 1

SAN FU CHEMICAL CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		\$ <u>330</u>
Cash in banks		
Checking accounts and demand deposits		200,652
Foreign currency deposits	Including US\$510 thousand @27.63; JPY175,859 thousand @0.2385 and Euro 0.5 thousand@31.12	<u>56,040</u>
		<u>256,692</u>
Total		<u>\$ 257,022</u>

STATEMENT 2

SAN FU CHEMICAL CO., LTD.

STATEMENT OF ACCOUNTS RECEIVABLE, NET

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount
Client A	\$ 661,390
Client B	224,018
Client C	208,891
Others (Note)	<u>349,711</u>
	1,444,010
Less: Allowance for doubtful accounts	(6,200)
Total	\$ 1,437,810

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, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Merchandise	\$ 8,811	\$ 8,633
Finished goods	225,031	191,032
Work in process	12,311	11,032
Semi-finished goods	1,393	1,393
Raw materials	406,664	404,854
Supplies	<u>25,432</u>	<u>24,655</u>
Sub-Total	679,642	<u>\$ 641,599</u>
Less: Inventory write-downs (Note 1)	(<u>38,043</u>)	
Net Value		<u>\$ 641,599</u>

Note: Inventory write-downs include \$178 thousand for merchandise, \$33,999 thousand for finished goods, \$1,279 thousand for work in process, \$1,810 thousand for raw materials and \$777 thousand for supplies.

STATEMENT 4

SAN FU CHEMICAL CO., LTD.

**STATEMENT OF LONG-TERM EQUITY CHANGES USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021**
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance, January 1, 2021		Increase in Equity		Decrease in Equity		Investment Gain (Loss)	Cumulative Exchange Adjustment	Dividends received	Other Adjustment	Balance, December 31, 2021		Collateral	
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	Amount		Ownership %
Unlisted & Non-OTC companies														
San Fu Specialty Chemicals Investments Limited	2,350,840	\$ 413,192	-	\$ -	-	\$ -	\$ 81,326	(\$ 4,887)	\$ -	\$ -	2,350,840	100	\$ 489,631	Nil
San Fu Food Additives Investments Limited	552,198	344	-	(345)	(552,198)	(423)	-	(423)	-	424	-	-	-	Nil
VinaSanFu Industrial Gas Company Limited	-	310,601	-	38,859	-	(17,443)	(17,443)	22,100	-	-	-	100	354,117	Nil
VinaSanFu Material Company Limited	-	269,074	-	42,700	-	(17,883)	(17,883)	18,800	-	-	-	100	312,691	Nil
San Fu Biotech Co., Ltd.	12,500,000	148,552	9,000,000	85,000	-	31,674	(11,500)	(2,575)	(11,500)	(2,575)	21,500,000	93.48	251,151	Nil
International Nitro Technology Co., Ltd.	15,000,000	148,365	25,000,000	250,000	-	(15,173)	(15,173)	-	-	-	40,000,000	100	383,192	Nil
Lifu Carbonic Acid Co., Ltd.	1,000	9,386	1,240	93,229	-	(6,488)	(6,488)	-	-	-	2,240	87	96,127	Nil
Hong Cheng Enterprise Co., Ltd.	1,200,000	13,777	-	1,026	-	1,026	(293)	-	(293)	-	1,200,000	50	14,510	Nil
Shian Yun Joint Stock Company	2,659,974	35,786	-	(940)	-	(940)	-	2,132	-	-	2,659,974	33.33	36,978	Nil
		<u>\$1,349,077</u>		<u>\$ 509,788</u>		<u>(\$ 345)</u>	<u>\$ 56,099</u>	<u>\$ 37,722</u>	<u>(\$ 11,793)</u>	<u>(\$ 2,151)</u>	<u>\$1,938,397</u>		<u>\$1,930,823</u>	

STATEMENT 5

SAN FU CHEMICAL CO., LTD.

STATEMENT OF SHORT-TERM LOANS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Type	Contract Period	Range of Interest Rates (%)	Balance, End of Year	Loan Commitments	Collateral
<u>Secured borrowings</u>					
First Commercial Bank	2021.11~2022.01	0.80%	<u>\$ 280,000</u>	\$ 350,000	Guarantee
<u>Bank credit loan</u>					
First Commercial Bank	2021.12~2022.01	0.80%	85,000	240,000	Nil
Bank of Taiwan	2021.10~2022.01	0.80%	80,000	100,000	Nil
Citi Bank	2021.10~2022.02	0.78%	250,000	285,104	Nil
Cathay United Bank	2021.11~2022.02	0.91%	20,000	60,000	Nil
Taipei Fubon Bank	2021.08~2022.02	0.78%	150,000	150,000	Nil
Mega Bank	2021.10~2022.04	0.85%	<u>20,000</u>	150,000	Nil
			<u>605,000</u>		
Short-term Loan total			<u>\$ 885,000</u>		

STATEMENT 6

SAN FU CHEMICAL CO., LTD.

STATEMENT OF NOTES AND ACCOUNTS PAYABLES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount
Vendor A	\$ 41,788
Vendor B	50,737
Vendor C	22,517
Vendor D	56,456
Vendor E	35,403
Others (Note)	<u>181,214</u>
	<u>\$ 388,115</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, 2021
(In Thousands of New Taiwan Dollars)**

Item	Shipments (KG)	Amount
Stripper	17,854,990	\$ 1,177,289
Etchant	16,759,680	702,986
Developer	8,619,700	683,311
TMAM - recycle	19,122,900	485,781
Others (Note)		<u>1,462,640</u>
Sub-Total		4,512,007
Less: Sales returns		(15,562)
Sales discounts		(<u>14,838</u>)
Total		<u>\$ 4,481,607</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, 2021 (In Thousands of New Taiwan Dollars)

Item	Amount
Merchandise balance, beginning of year	\$ 6,571
Merchandise purchased	129,924
Merchandise balance, end of year	(8,811)
Cost of contract revenue and merchandise sales	<u>127,684</u>
Raw materials, beginning of year	185,763
Raw materials purchased	2,689,491
Raw materials balance, end of year	(406,664)
Sales of raw materials	(905,618)
Transferred to expenses	(9,534)
Raw materials used	1,553,438
Supplies, beginning of year	19,474
Supplies purchased	94,690
Supplies, end of year	(25,432)
Sales of supplies	(10,396)
Transferred to expenses	(32,871)
Supplies used	45,465
Direct labor	139,618
Manufacturing expenses	<u>585,324</u>
Manufacturing cost	2,323,845
Work in process, beginning of year	11,261
Work in process, end of year	(12,311)
Semi-finished goods, beginning of year	1,875
Semi-finished goods purchased	45,186
Semi-finished goods, end of year	(1,393)
Cost of finished goods	2,368,463
Finished goods, beginning of year	150,102
Other adjustments for finished goods	1,357
Finished goods, end of year	(225,030)
Transferred to other accounts	(3,079)
Cost of goods sold	2,291,813
Reversal of write-downs of inventories	60
Other cost of goods sold	<u>916,014</u>
Operating costs	<u>\$ 3,335,571</u>

STATEMENT 9

SAN FU CHEMICAL CO., LTD.

STATEMENT OF OPERATING EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021 (In Thousands of New Taiwan Dollars)

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Payroll	\$ 56,280	\$ 67,236	\$ 20,488	\$ 144,004
Freight	96,296	-	-	96,296
Travel expenses	11,061	1,119	336	12,516
Utilities fee	326	316	2,450	3,092
Depreciation expense	9,705	8,305	9,174	27,184
Others (Note)	<u>45,387</u>	<u>64,858</u>	<u>6,167</u>	<u>116,412</u>
	<u>\$ 219,055</u>	<u>\$ 141,834</u>	<u>\$ 38,615</u>	<u>\$ 399,504</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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	2021			2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit						
Salaries	\$ 173,501	\$ 135,748	\$ 309,249	\$ 156,340	\$ 124,022	\$ 280,362
Labor and health insurance	16,362	10,565	26,927	14,461	9,334	23,795
Pension	6,938	5,466	12,404	6,495	5,280	11,775
Board compensation	-	24,345	24,345	-	15,950	15,950
Share-based payments compensation costs	-	1,716	1,716	-	19,031	19,031
Others	13,953	22,783	36,736	13,988	23,288	37,276
Depreciation	221,672	27,184	248,856	208,745	21,344	230,089

Note 1: As of December 31, 2021, and 2020, the Company had 356 and 348 employees, respectively. There were 7 and 6 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:

- a. The average amount of labor cost for the years ended December 31, 2021 and 2020 was NT\$1,106 thousand and NT\$1,088 thousand, respectively.
("Total labor cost - Total board compensation"/"Total employee count - Total non-employee director count")
- b. The average amount of salary and bonus for the years ended December 31, 2021 and 2020 was NT\$891 thousand and NT\$875 thousand, respectively.
(Total salary and bonus/"Total employee count - Total non-employee director count")
- c. The average salary and bonus decreased by 1.6% year over year.
("Average salary and bonus in current year - Average salary and bonus in previous year"/Average salary and bonus in previous year)
- d. The compensation to the supervisor for the years ended December 31, 2021 and 2020 was NT\$2,150 thousand and NT\$2,262 thousand, respectively.
- e. 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:

1. The number of employees stated in the notes to this table should be calculated based on the same employee benefit expenses.
2. 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.
3. 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 , 2021

