

San Fu Chemical Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2022 and 2021 and
Independent Auditors' Review Report**

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INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of San Fu Chemical Co., Ltd. (SFCCL) and its subsidiaries (collectively referred to as the "Company"), as of September 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, of changes in equity, and of cash flows or the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated 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 and "International Accounting Standard (IAS) " 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement on Auditing Standards No 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of Opinion

As stated in Note 12 to the consolidated financial statements, the financial statements of the non-significant subsidiaries included in the consolidated financial statements for the same period have not been reviewed by accountants. Its total assets as of September 30, 2022 and 2021 were amounted to NT\$ 2,455,652 thousand and NT\$ 1,716,961 thousand respectively, amounted to 32% and 29% of the Company's consolidated total assets. The total liabilities were amounted to NT\$ 293,486 thousand and NT\$ 222,793 thousand respectively, which amounted to 9% and 11% of the consolidated total liabilities respectively. The total consolidated profit and loss for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021 were amounted to NT\$ (7,247) thousand, (NT\$ 4,217) thousand, NT\$ 20,610 thousand and NT\$ 29,357 thousand respectively, which amounted to 3%, 3%, 2% and 7% of the total consolidated comprehensive profit and loss, respectively. In addition, as stated in Note 13 of the consolidated financial statements, the investment balance as of September 30, 2022 and 2021 of San Fu Chemical Co., Ltd. and its subsidiaries recognized by the equity method of accounting were amounted to NT\$ 499,137 thousand and NT\$ 420,317 thousand respectively.

The amount of consolidated profits and losses of associates and joint ventures recognized by the equity method of accounting for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021 were amounted to NT\$ 19,294 thousand, NT\$ 21,156 thousand, NT\$

76,897 thousand and NT\$ 42,860 thousand respectively, and the relevant information of the reinvestment business mentioned in the notes 12 and 33 to the financial statements was based on the recognition and disclosure of the investee company's financial statements during the same period without being reviewed by an accountant.

Conclusion

Based on our reviews, except for the relevant information disclosed in the financial statements of non-significant subsidiaries and investee companies that adopt the equity method as described in the basic paragraph of the reserved conclusions and the relevant information disclosed in Note 33, if reviewed by an accountant, the accompany consolidated financial statements may be adjusted, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of San Fu Chemical Co., Ltd. and its subsidiaries as of September 30, 2022 and 2021, its consolidated financial performance for the three months ended September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the nine months then ended September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditor’s review report are Xu Xiuming and Ong Yaling.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 04, 2022

San Fu Chemical Co., Ltd. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

As of September 30, 2022, December 31 and September 30, 2021

(In thousands of New Taiwan Dollars)

| Code | ASSETS | September 30, 2022 (Reviewed) | | December 31, 2021 (Audited) | | September 30, 2021 (Reviewed) | |
|--|---|----------------------------------|------------|--------------------------------|------------|----------------------------------|------------|
| | | Amount | % | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | | | |
| 1100 | Cash and cash equivalents (Note 6) | \$ 810,168 | 11 | \$ 552,766 | 8 | \$ 478,581 | 8 |
| 1136 | Financial assets at amortized cost-current (Note 9) | 290,345 | 4 | 233,472 | 4 | 233,540 | 4 |
| 1140 | Contract assets - current (Note 21) | 6,006 | - | 8,200 | - | 11,152 | - |
| 1150 | Notes receivable, net (Note 10) | 44,447 | 1 | 56,633 | 1 | 44,038 | 1 |
| 1170 | Accounts receivable, net (Note 10) | 1,321,343 | 17 | 1,504,822 | 23 | 1,047,960 | 18 |
| 1180 | Receivable from related parties (Note 30) | 6,150 | - | 19,627 | - | 5,358 | - |
| 130X | Inventories (Note 11) | 931,241 | 12 | 719,825 | 11 | 556,988 | 9 |
| 1410 | Prepayments | 381,749 | 5 | 268,126 | 4 | 360,112 | 6 |
| 1470 | Other current assets | 69,158 | 1 | 99,005 | 2 | 91,429 | 2 |
| 11XX | Total current assets | <u>3,860,607</u> | <u>51</u> | <u>3,462,476</u> | <u>53</u> | <u>2,829,158</u> | <u>48</u> |
| NON-CURRENT ASSETS | | | | | | | |
| 1510 | Financial assets at FVTPL - non-current (Note 7) | 14,398 | - | - | - | - | - |
| 1517 | Financial assets at FVTOCI - non-current (Note 8) | 92,835 | 1 | 86,912 | 1 | 136,997 | 2 |
| 1550 | Investments accounted for using equity method (Note 13) | 499,137 | 7 | 456,327 | 7 | 420,317 | 7 |
| 1560 | Contract assets - non-current (Note 21) | - | - | - | - | 16 | - |
| 1600 | Property, plant and equipment (Note 14) | 2,928,222 | 38 | 2,278,099 | 35 | 2,207,516 | 38 |
| 1755 | Right-of-use assets (Note 15) | 131,427 | 2 | 137,211 | 2 | 144,376 | 3 |
| 1840 | Deferred income tax assets (Note 23) | 27,905 | - | 34,784 | - | 22,344 | - |
| 1915 | Prepayments for equipment | 54,535 | 1 | 113,951 | 2 | 118,374 | 2 |
| 1920 | Refundable deposits | 24,590 | - | 5,816 | - | 4,428 | - |
| 15XX | Total non-current assets | <u>3,773,049</u> | <u>49</u> | <u>3,113,100</u> | <u>47</u> | <u>3,054,368</u> | <u>52</u> |
| 1XXX | TOTAL | <u>\$ 7,633,656</u> | <u>100</u> | <u>\$ 6,575,576</u> | <u>100</u> | <u>\$ 5,883,526</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | | | | |
| CURRENT LIABILITIES | | | | | | | |
| 2100 | Short-term loans (Note 16) | \$ 1,622,854 | 21 | \$ 930,000 | 14 | \$ 906,000 | 15 |
| 2130 | Contract liabilities - current (Note 21) | 156,121 | 2 | 203,231 | 3 | 174,593 | 3 |
| 2170 | Notes and accounts payable (Note 17) | 400,078 | 5 | 502,080 | 8 | 302,671 | 5 |
| 2180 | Accounts payable - related parties (Note 30) | 2,767 | - | 3,770 | - | 4,400 | - |
| 2200 | Other payables (Note 18) | 241,938 | 3 | 340,986 | 5 | 225,793 | 4 |
| 2230 | Current tax liabilities (Note 23) | 111,922 | 2 | 108,570 | 2 | 32,645 | 1 |
| 2280 | Lease liabilities-current (Notes 15 and 30) | 22,201 | - | 22,427 | - | 24,042 | - |
| 2320 | Long-term liabilities due within 1 year (Note 16) | 100,000 | 2 | 90,572 | 1 | 90,572 | 2 |
| 2399 | Other current liabilities | 6,925 | - | 4,762 | - | 2,106 | - |
| 21XX | Total current liabilities | <u>2,664,806</u> | <u>35</u> | <u>2,206,398</u> | <u>33</u> | <u>1,762,822</u> | <u>30</u> |
| NON-CURRENT LIABILITIES | | | | | | | |
| 2540 | Long-term bank loans (Note 16) | 350,000 | 5 | 103,930 | 2 | 126,572 | 2 |
| 2570 | Deferred tax liabilities (Note 23) | 8,474 | - | 8,474 | - | 8,474 | - |
| 2580 | Lease liabilities-non-current (Notes 15 and 30) | 39,216 | - | 49,940 | 1 | 54,447 | 1 |
| 2640 | Net defined benefit liabilities - non-current (Note 19) | 27,562 | - | 27,791 | - | 23,737 | 1 |
| 2670 | Other non-current liabilities | 1,493 | - | 2,454 | - | 2,578 | - |
| 25XX | Total non-current liabilities | <u>426,745</u> | <u>5</u> | <u>192,589</u> | <u>3</u> | <u>215,808</u> | <u>4</u> |
| 2XXX | Total liabilities | <u>3,091,551</u> | <u>40</u> | <u>2,398,987</u> | <u>36</u> | <u>1,978,630</u> | <u>34</u> |
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Note 20) | | | | | | | |
| Capital stock | | | | | | | |
| 3110 | Ordinary shares | 1,007,060 | 13 | 1,007,060 | 15 | 1,007,060 | 17 |
| 3200 | Capital surplus | 762,268 | 10 | 960,750 | 15 | 961,609 | 16 |
| Retained earnings | | | | | | | |
| 3310 | Legal reserve | 358,315 | 5 | 291,281 | 4 | 291,281 | 5 |
| 3320 | Special reserve | 124,794 | 1 | 103,348 | 2 | 103,348 | 2 |
| 3350 | Unappropriated earnings | 2,284,403 | 30 | 1,907,058 | 29 | 1,608,658 | 27 |
| 3300 | Total retained earnings | <u>2,767,512</u> | <u>36</u> | <u>2,301,687</u> | <u>35</u> | <u>2,003,287</u> | <u>34</u> |
| Other equity | | | | | | | |
| 3410 | Exchange differences on translating foreign operations | 9,270 | - | (90,099) | (1) | (87,005) | (1) |
| 3420 | Unrealized evaluation gains and losses of the equity instrument investment benefit measured at FVTOCI | (36,553) | - | (34,695) | (1) | 5,204 | - |
| 3400 | Total other equity | (27,283) | - | (124,794) | (2) | (81,801) | (1) |
| 31XX | Total Owner's Equity | <u>4,509,557</u> | <u>59</u> | <u>4,144,703</u> | <u>63</u> | <u>3,890,155</u> | <u>66</u> |
| 36XX | Non-controlling interests (Minority Interests) (Note 20) | | | | | | |
| 3XXX | Total equity | <u>32,548</u> | <u>1</u> | <u>31,886</u> | <u>1</u> | <u>14,741</u> | <u>-</u> |
| | | <u>4,542,105</u> | <u>60</u> | <u>4,176,589</u> | <u>64</u> | <u>3,904,896</u> | <u>66</u> |
| TOTAL | | <u>\$ 7,633,656</u> | <u>100</u> | <u>\$ 6,575,576</u> | <u>100</u> | <u>\$ 5,883,526</u> | <u>100</u> |

The accompanying notes are an integral part of the consolidated financial statements.
(Refer to Audit Report of Deloitte & Touche on November 04, 2022)

Chairman: WU, Hsin-Hung

Manager: TSAI, Chieh-Rong

Accounting Supervisor: HSIEH, Ming-Chih

San Fu Chemical Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Reviewed, Not Audited)

(In thousands of New Taiwan Dollars, except earnings per share)

| Code | | For the three months Ended September 30 | | | | For the nine months ended September 30 | | | |
|------|--|---|-----------|----------------|-----------|--|-----------|------------------|-----------|
| | | 2022 | | 2021 | | 2022 | | 2021 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 | OPERATING REVENUE (Notes 21 and 30) | \$1,217,801 | 100 | \$1,180,157 | 100 | \$4,417,379 | 100 | \$3,140,148 | 100 |
| 5000 | OPERATING COST (Notes 11, 22, 30) | <u>928,811</u> | <u>76</u> | <u>900,914</u> | <u>76</u> | <u>3,169,632</u> | <u>72</u> | <u>2,451,549</u> | <u>78</u> |
| 5900 | GROSS PROFIT | <u>288,990</u> | <u>24</u> | <u>279,243</u> | <u>24</u> | <u>1,247,747</u> | <u>28</u> | <u>688,599</u> | <u>22</u> |
| | OPERATING EXPENSES (Notes 22 and 30) | | | | | | | | |
| 6100 | Selling and marketing expenses | 63,510 | 5 | 61,714 | 5 | 216,336 | 5 | 175,136 | 5 |
| 6200 | General and administrative expenses | 57,425 | 5 | 42,691 | 4 | 167,409 | 4 | 114,756 | 4 |
| 6300 | Research & Development Expenses | 18,960 | 2 | 9,395 | 1 | 46,120 | 1 | 29,743 | 1 |
| 6450 | Expected credit loss (ECL) | - | - | - | - | 86 | - | - | - |
| 6000 | Total operating expenses | <u>139,895</u> | <u>12</u> | <u>113,800</u> | <u>10</u> | <u>429,951</u> | <u>10</u> | <u>319,635</u> | <u>10</u> |
| 6900 | PROFIT FROM OPERATIONS | <u>149,095</u> | <u>12</u> | <u>165,443</u> | <u>14</u> | <u>817,796</u> | <u>18</u> | <u>368,964</u> | <u>12</u> |
| | NON-OPERATING INCOME AND EXPENSES | | | | | | | | |
| 7010 | Other income (Note 22) | 10,273 | 1 | 7,448 | - | 28,002 | 1 | 25,059 | 1 |
| 7020 | Other gains and losses (Note 22) | 42,086 | 3 | 110 | - | 69,443 | 1 | 15,006 | - |
| 7050 | Financial Cost (Note 22) | (5,710) | - | (2,502) | - | (12,371) | - | (6,226) | - |
| 7060 | Share of profit or loss of associates and joint ventures Recognized by Equity Method (Note 13) | 12,448 | 1 | 22,715 | 2 | 60,198 | 1 | 49,490 | 2 |
| 7100 | Interest income | 2,647 | - | 228 | - | 3,882 | - | 852 | - |
| 7140 | Bargain purchase gain-acquiring a subsidiary (Note 25) | - | - | - | - | - | - | 372 | - |
| 7000 | Total non-operating income and expenses | <u>61,744</u> | <u>5</u> | <u>27,999</u> | <u>2</u> | <u>149,154</u> | <u>3</u> | <u>84,553</u> | <u>3</u> |
| 7900 | PROFIT BEFORE INCOME TAX | 210,839 | 17 | 193,442 | 16 | 966,950 | 21 | 453,517 | 15 |
| 7950 | INCOME TAX EXPENSE (Note 23) | (47,736) | (4) | (37,523) | (3) | (198,345) | (4) | (82,041) | (3) |
| 8200 | NET PROFIT FOR Q3 2022 & 2021 | <u>163,103</u> | <u>13</u> | <u>155,919</u> | <u>13</u> | <u>768,605</u> | <u>17</u> | <u>371,476</u> | <u>12</u> |

(Continued)

| Code | | <u>For the three months Ended September 30</u> | | | | <u>For the nine months ended September 30</u> | | | |
|------|--|--|-----------|-------------------|--------------|---|-----------|-------------------|-----------|
| | | <u>2022</u> | | <u>2021</u> | | <u>2022</u> | | <u>2021</u> | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| | OTHER COBNSOLIDATED PROFIT AND LOSS | | | | | | | | |
| | Items that will not be reclassified subsequently to profit or loss: | | | | | | | | |
| 8316 | Unrealized loss on financial assets at FVTOCI | <u>286</u> | <u>-</u> | <u>(8,888)</u> | <u>(1)</u> | <u>(1,858)</u> | <u>-</u> | <u>(19,269)</u> | <u>-</u> |
| 8310 | Items that may be reclassified to profit and loss in the future | <u>286</u> | <u>-</u> | <u>(8,888)</u> | <u>(1)</u> | <u>(1,858)</u> | <u>-</u> | <u>(19,269)</u> | <u>-</u> |
| 8370 | Share of the other comprehensive loss of associates and joint ventures using equity method | <u>6,846</u> | <u>1</u> | <u>(1,559)</u> | <u>-</u> | <u>16,699</u> | <u>-</u> | <u>(6,630)</u> | <u>-</u> |
| 8361 | Exchange differences on translating the financial statements of foreign operations | <u>40,857</u> | <u>3</u> | <u>5,877</u> | <u>1</u> | <u>82,670</u> | <u>2</u> | <u>47,446</u> | <u>1</u> |
| 8360 | Items that may be reclassified subsequently to profit or loss | <u>47,703</u> | <u>4</u> | <u>4,318</u> | <u>1</u> | <u>99,369</u> | <u>2</u> | <u>40,816</u> | <u>1</u> |
| 8300 | Other comprehensive loss for the year, net of income tax | <u>47,989</u> | <u>4</u> | <u>(4,570)</u> | <u>-</u> | <u>97,511</u> | <u>2</u> | <u>21,547</u> | <u>1</u> |
| 8500 | TOTAL COMPREHENSIVE INCOME FOR THIS PERIOD | <u>\$ 211,092</u> | <u>17</u> | <u>\$ 151,349</u> | <u>13</u> | <u>\$ 866,116</u> | <u>20</u> | <u>\$ 393,023</u> | <u>13</u> |
| | NET PROFIT ATTRIBUTABLE TO: | | | | | | | | |
| 8610 | Owners of the Company | <u>\$ 163,410</u> | <u>13</u> | <u>\$ 156,215</u> | <u>13</u> | <u>\$ 767,943</u> | <u>17</u> | <u>\$ 371,943</u> | <u>12</u> |
| 8620 | Non-controlling interests | <u>(307)</u> | <u>-</u> | <u>(296)</u> | <u>-</u> | <u>662</u> | <u>-</u> | <u>(467)</u> | <u>-</u> |
| 8600 | | <u>\$ 163,103</u> | <u>13</u> | <u>\$ 155,919</u> | <u>13</u> | <u>\$ 768,605</u> | <u>17</u> | <u>\$ 371,476</u> | <u>12</u> |
| | TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | | | | | |
| 8710 | Owners of the Company | <u>\$ 211,399</u> | <u>17</u> | <u>\$ 151,645</u> | <u>13</u> | <u>\$ 865,454</u> | <u>20</u> | <u>\$ 393,490</u> | <u>13</u> |
| 8720 | Non-controlling interests | <u>(307)</u> | <u>-</u> | <u>(296)</u> | <u>-</u> | <u>662</u> | <u>-</u> | <u>(467)</u> | <u>-</u> |
| 8700 | | <u>\$ 211,092</u> | <u>17</u> | <u>\$ 151,349</u> | <u>13</u> | <u>\$ 866,116</u> | <u>20</u> | <u>\$ 393,023</u> | <u>13</u> |
| | EARNINGS PER SHARE (Note 24) | | | | | | | | |
| 9750 | Basic EPS | <u>\$ 1.62</u> | | <u>\$ 1.55</u> | | <u>\$ 7.62</u> | | <u>\$ 3.69</u> | |
| 9850 | Diluted EPS | <u>\$ 1.62</u> | | <u>\$ 1.55</u> | | <u>\$ 7.61</u> | | <u>\$ 3.69</u> | |

(Concluded)

The accompanying notes are an integral part of the consolidated financial statements.
(Refer to Audit Report of Deloitte & Touche on November 04, 2022)

Chairman: WU, Hsin-Hung Manager: TSAI, Chieh-Rong Accounting Supervisor: HSIEH, Ming-Chih

San Fu Chemical Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended September 30, 2022 and 2021

(Reviewed, Not Audited)

(In thousands of New Taiwan Dollars)

| Code | Description | Equity attributable to the Owners of the Company | | | | | | | | | | Total Equity |
|------|--|--|--------------|-----------------------|-----------------------------|-------------------------|--|--|-------------|--------------|-------------------------------------|--------------|
| | | Capital stock (Note 20) | | Capital Surplus | Retained Earnings (Note 20) | | | Other equity | | Sub-Total | Non-controlling interests (Note 20) | |
| | Shares (In Thousands) | Amount | (Note 20) | Legal Capital Reserve | Special Capital Reserve | Unappropriated Earnings | Exchange Differences on Translating Foreign Operations | Unrealized gain/loss on financial assets at FVTOCI | | | | |
| A1 | BALANCE, JANURAY 1, 2021 | 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 |
| | Other Changes in Capital Surplus | | | | | | | | | | | |
| C3 | Donations from Shareholders | - | - | 6,124 | - | - | - | - | - | 6,124 | - | 6,124 |
| D1 | Net profit for the nine months ended September 30, 2021 | - | - | - | - | - | 371,943 | - | - | 371,943 | (467) | 371,476 |
| D3 | Other comprehensive profit & loss after tax for the nine months ended September 30, 2021 | - | - | - | - | - | - | 40,816 | (19,269) | 21,547 | - | 21,547 |
| D5 | Total Comprehensive Income for the nine months ended September 30, 2021 | - | - | - | - | - | 371,943 | 40,816 | (19,269) | 393,490 | (467) | 393,023 |
| | Distribution of Available Earnings for 2020 | | | | | | | | | | | |
| B1 | Recognized Legal Capital Reserve for 2020 | - | - | - | 40,984 | - | (40,984) | - | - | - | - | - |
| B3 | Recognized Special Capital Reserve for 2020 | - | - | - | - | 47,055 | (47,055) | - | - | - | - | - |
| B5 | Cash Dividend Distributed to Shareholders | - | - | (100,706) | - | - | (201,412) | - | - | (302,118) | - | (302,118) |
| O1 | Non-controlling interest | - | - | - | - | - | - | - | - | - | 15,208 | 15,208 |
| Z1 | BALANCE, SEPTEMBER 30, 2021 | 100,706 | \$ 1,007,060 | \$ 961,609 | \$ 291,281 | \$ 103,348 | \$ 1,608,658 | (\$ 87,005) | \$ 5,204 | \$ 3,890,155 | \$ 14,741 | \$ 3,904,896 |
| A1 | BALANCE, JANUARY 1, 2022 | \$ 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 |
| | Other Changes in Capital Surplus | | | | | | | | | | | |
| C3 | Donations from Shareholders | - | - | 2,900 | - | - | - | - | - | 2,900 | - | 2,900 |
| C17 | Exercise the right of disgorgement | - | - | 30 | - | - | - | - | - | 30 | - | 30 |
| D1 | Net profit for the nine months ended September 30, 2022 | - | - | - | - | - | 767,943 | - | - | 767,943 | 662 | 768,605 |
| D3 | Other comprehensive profit & loss after tax for the nine months ended September 30, 2022 | - | - | - | - | - | - | 99,369 | (1,858) | 97,511 | - | 97,511 |
| D5 | Total Comprehensive Income for the nine months ended September 30, 2022 | - | - | - | - | - | 767,943 | 99,369 | (1,858) | 865,454 | 662 | 866,166 |
| | Distribution of Available Earnings for 2021 | | | | | | | | | | | |
| B1 | Recognized Legal Reserve for 2021 | - | - | - | 67,034 | - | (67,034) | - | - | - | - | - |
| B3 | Recognized Special Reserve for 2021 | - | - | - | - | 21,446 | (21,446) | - | - | - | - | - |
| B5 | Cash Dividend Distributed to Shareholders | - | - | (202,412) | - | - | (302,118) | - | - | (503,530) | - | (503,530) |
| Z1 | BALANCE, SEPTEMBER 30, 2022 | 100,706 | \$ 1,007,060 | \$ 762,268 | \$ 358,315 | \$ 124,794 | \$ 2,284,403 | \$ 9,270 | (\$ 36,553) | \$ 4,509,557 | \$ 32,548 | \$ 4,542,105 |

The accompanying notes are an integral part of the consolidated financial statements.
(Refer to Audit Report of Deloitte & Touche on November 04, 2022)

Chairman: WU, Hsin-Hung

Manager: TSAI, Chieh-Rong

Accounting Supervisor: HSIEH, Ming-Chih

San Fu Chemical Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2022 and 2021

(Reviewed, Not Audited)

(In thousands of New Taiwan Dollars)

| <u>C o d e</u> | | <u>Nine Months Ended September 30</u> | |
|---|---|---------------------------------------|-------------|
| | | <u>2022</u> | <u>2021</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| A10000 | Income before income tax | \$ 966,950 | \$ 453,517 |
| A20010 | Adjustments for: | | |
| A20100 | Depreciation expense | 226,243 | 209,366 |
| A20300 | Expected Credit Losses ; ECL | 86 | - |
| A20400 | Gain of financial asset and liability at FVTPL | (6,580) | - |
| A20900 | Finance costs | 12,371 | 6,226 |
| A21200 | Interest income | (3,882) | (852) |
| A21300 | Investment Income - Dividend | (2,697) | (1,413) |
| A22300 | Share of profit of associates | (60,198) | (49,490) |
| A22500 | Loss on disposal of property, plant and equipment | (6) | (273) |
| 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 | 3,792 | (203) |
| A24100 | Unrealized foreign currency exchange (gain) loss | (21,825) | (3,248) |
| A29900 | Bargain purchase Gain | - | (372) |
| A29900 | Lease modification benefits | (5) | (6) |
| A30000 | Change in operating assets and liabilities | | |
| A31130 | Notes receivable | 12,186 | (517) |
| A31150 | Accounts receivable | 202,726 | 6,660 |
| A31160 | Accounts receivable – related parties | 13,706 | 4,284 |
| A31125 | Contract assets - current | 2,194 | (2,422) |
| A31200 | Inventories | (214,200) | (162,824) |
| A31230 | Prepayments | (111,929) | (271,348) |
| A31240 | Other current assets | 32,273 | (63,026) |
| A31260 | Contract assets – non-current | - | 5,925 |
| A32125 | Contract liability | (47,110) | 17,671 |
| A32150 | Notes and accounts payable | (109,105) | 47,296 |
| A32160 | Accounts payable - related parties | (11,682) | 2,353 |
| A32180 | Other payables | (114,045) | 27,911 |
| A32230 | Other current liabilities | 2,163 | (4,404) |
| A32240 | Net defined benefit liabilities - non-current | (229) | (801) |
| A32990 | Other non-current liabilities | (\$ 961) | \$ 215 |
| A33000 | Cash generated from operations | 770,236 | 197,004 |
| A33100 | Interest received | 3,882 | 852 |
| A33300 | Interest paid | (11,875) | (6,183) |

(Continued)

| <u>C o d e</u> | | <u>Nine Months Ended September 30</u> | |
|---|--|---------------------------------------|----------------------------------|
| | | 2022 | 2021 |
| A33500 | Income tax paid | (<u>188,114</u>) | (<u>109,429</u>) |
| AAAA | Net cash generated from operating activities | <u>574,129</u> | <u>82,244</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| B00010 | Purchase of financial assets at FVTOCI | (7,818) | - |
| B00040 | Purchase of financial assets at amortized cost | (50,956) | - |
| B02200 | Net cash outflow acquired from the subsidiaries | - | (56,777) |
| B02700 | Payments for property, plant and equipment | (707,612) | (415,582) |
| B02800 | Gain on Disposal of property, plant and equipment | 24 | 543 |
| B03700 | Increase or Loss in refundable deposits | (18,774) | 158 |
| B07100 | Increase in prepayments for equipment | (8,606) | 63,388 |
| B07600 | Dividend received | <u>39,798</u> | <u>23,262</u> |
| BBBB | Net cash used in investing activities | (<u>753,944</u>) | (<u>385,008</u>) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| C00100 | Increase in short-term loans | 691,526 | 316,000 |
| C01600 | Long-term bank loans | 450,000 | - |
| C01700 | Repayment of Long-term bank loans | (194,502) | (15,429) |
| C04020 | Repayment of the principal portion of lease liabilities | (18,453) | (18,126) |
| C04500 | Payment – Owners’ Dividend | (503,530) | (302,118) |
| C09900 | Donation | 2,900 | 6,124 |
| C09900 | Exercise the right of disgorgement | <u>30</u> | <u>-</u> |
| CCCC | NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES | <u>427,971</u> | (<u>13,549</u>) |
| DDDD | EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | <u>9,246</u> | <u>288</u> |
| EEEE | NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 257,402 | (316,025) |
| E00100 | CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | <u>552,766</u> | <u>794,606</u> |
| E00200 | CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | <u>\$ 810,168</u> | <u>\$ 478,581</u> (Concluded) |

The accompanying notes are an integral part of the consolidated financial statements.
(Refer to Audit Report of Deloitte & Touche on November 04, 2022)

Chairman: WU, Hsin-Hung Manager: TSAI, Chieh-Rong Accounting Supervisor: HSIEH, Ming-Chih

San Fu Chemical Co., Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Reviewed, Not Audited)

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

San Fu Chemical Co., Ltd. (the “SFCCL”) was incorporated in Taiwan (Republic of China) on March 17, 2003. SFCCL is mainly engaged in the manufacture and sales of various chemical products. The major shareholders include San Fu Global Co., Ltd. (23.89% shareholding), Pilot Keymark SDN. BHD. (19.78% shareholding), and other individual shareholders.

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

On November 27, 2013, the Company’s shares were listed on the Taiwan Stock Exchange (“TWSE”). The amounts on consolidated financial statements are specified in New Taiwan dollars, unless specified otherwise..

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were reported to the Board of Directors and issued on November 04, 2022.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The initial application of the amended Annual Improvements to IFRS Standards 2018-2020 cycle, the Amendments to IFRS 3 “Reference to the Conceptual Framework”, the Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”, the Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract” and the Amendment to the IFRS 16 “Covid-19-Related Rent Concessions after September 30, 2022” endorsed and issued into effect by the FSC did not have a significant effect on the accounting policies of SFCCL and its subsidiaries (collectively as the “Company”).

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

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB |
|--|--|
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Note 1) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note 2) |
| Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses | January 1, 2022 (Note 3) |

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

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

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

As of the date the accompanying consolidation financial statements were authorized for issue, The Company is 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

| <u>New, Revised or Amended Standards and Interpretations</u> | <u>Effective Date Issued by IASB (Note)</u> |
|--|--|
| 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 |
| Amendments to IFRS 16" Lease liabilities in a sale and leaseback" | January 1, 2024 (Note 2) |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 "Initial application of IFRS 17 and IFRS 9 - Comparison of Information" | January 1, 2023 |
| Amendments to IAS 1 "Classification of Liabilities as Current or Noncurrent" | January 1, 2024 |
| Amendments to IAS 1 "Noncurrent liabilities with contractual terms" | January 1, 2024 |

Note 1: Unless stated 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 seller and lessee should retrospectively apply the amendment of IFRS 16 to the sale and leaseback transactions signed after the initial application of IFRS 16

As of the date the consolidation financial statements were authorized for issue, The Company is 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.

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 IAS 34, "Interim Financial Reporting," endorsed and issued into effect by FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRSs endorsed and issued into effect by FSC.

b. Basis of Preparation

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

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

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

c. Basis of Consolidation

For details of subsidiaries, shareholding ratios and scope of business, please refer to Note 12 and the attached Table 6.

d. Other Significant Accounting Policies

In addition to the following descriptions, please refer to the summary description of significant accounting policies in the consolidated financial report for the year 2021.

- 1) The defined Contribution Retirement Benefits
Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, and the major market fluctuations in the current period, the major plan amendments and the settlement or other major one-time matters will be properly adjusted
- 2) Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Please refer to the Critical Accounting Judgments and Key Sources of Estimation Uncertainty described in the Consolidated Financial Statements for the year 2021.

6. CASH AND CASH EQUIVALENTS

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|---|-------------------------------|------------------------------|-------------------------------|
| Cash on hand and petty cash | \$ 463 | \$ 437 | \$ 413 |
| Demand deposits | 523,155 | 552,329 | 478,168 |
| Cash equivalents (investments with original maturities of less than 3 months) | | | |
| Time deposits | <u>286,550</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 810,168</u> | <u>\$ 552,766</u> | <u>\$ 478,581</u> |

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

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-----------------|-------------------------------|------------------------------|-------------------------------|
| Demand deposits | 0.001%~0.7% | 0.001%~0.3% | 0.001%~0.05% |
| Time deposits | 3.25%~3.45% | - | - |

7. FINANCIAL INSTRUMENTS AT FVTPL - NON-CURRENT

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|---|-----------------------|----------------------|-----------------------|
| Mandatory FVTPL Derivatives (unspecified hedging) | | | |
| - foreign exchange option contract | \$ <u>14,398</u> | \$ <u>-</u> | \$ <u>-</u> |

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

September 30, 2022

| | Currency | Maturity Date | Contract Amount (In thousands) |
|---------------------|-----------|----------------|-----------------------------------|
| Trade forex options | Sell US\$ | March 01, 2023 | US\$3,000/NT\$ 79,500 |

The Company entered into forward exchange contracts to manage exposures due to fluctuations of foreign exchange rates. These forward exchange contracts did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for these forward exchange contracts.

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

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|----------------------|-----------------------|----------------------|-----------------------|
| Domestic investments | | | |
| Listed shares | \$ 25,439 | \$ 27,297 | \$ 27,751 |
| Unlisted shares | <u>6,698</u> | <u>6,698</u> | <u>6,698</u> |
| Subtotal | <u>32,137</u> | <u>33,995</u> | <u>34,449</u> |
| Foreign investments | | | |
| Unlisted shares | <u>60,698</u> | <u>52,917</u> | <u>102,548</u> |
| | <u>\$ 92,835</u> | <u>\$ 86,912</u> | <u>\$ 136,997</u> |

These investments in equity instruments are held for medium to long-term strategic purposes and expect to make profits through long-term investment. Accordingly, the management team selected to designate these investments in equity instruments as at “Fair Value Through Other Comprehensive Income” (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 common shares of Global Graphene Group, whose main business activity is research and development of graphene-related product technologies. The management of the Company assessed that the commercialization of Global Graphene Group's graphene technology has been delayed, and its profitability has not improved. In 2021, it recognized an unrealized evaluation loss of 49,307 thousand New Taiwan dollars on financial assets measured at fair value through other comprehensive gains and losses.

9. FINANCIAL ASSETS AT AMORTITIZED COST

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--|-----------------------|----------------------|-----------------------|
| <u>Current</u> | | | |
| Time deposits with original maturities of more than 3 months | \$ 67,945 | \$ 11,072 | \$ 11,140 |
| Restricted demand deposits | <u>222,400</u> | <u>222,400</u> | <u>222,400</u> |
| | <u>\$ 290,345</u> | <u>\$ 233,472</u> | <u>\$ 233,540</u> |

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.06%~1.90%, 0.06%~0.28% and 0.06%~0.41% per annum as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

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

10. NOTES AND ACCOUNTS RECEIVABLE

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-------------------------------------|-----------------------|----------------------|-----------------------|
| <u>Notes receivable</u> | | | |
| Notes receivable - operating | <u>\$ 44,447</u> | <u>\$ 56,633</u> | <u>\$ 44,038</u> |
| <u>Accounts receivable</u> | | | |
| At amortized cost | | | |
| Gross carrying amount | \$ 1,327,543 | \$ 1,511,022 | \$ 1,048,531 |
| Less: Allowance for impairment loss | (<u>6,200</u>) | (<u>6,200</u>) | (<u>571</u>) |
| | <u>\$ 1,321,343</u> | <u>\$ 1,504,822</u> | <u>\$ 1,047,960</u> |

The average credit period of sales of goods was 30 to 120 days. In order to effectively reduce credit risks, 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 review 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 that the Company's credit risk was significantly reduced.

The Company measured the loss allowance for trade receivables at an amount equal to lifetime ECLs (expected credit losses). 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 write 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 reported to the court. For accounts receivable that have been written off, the Company continue to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Aging analysis of notes and accounts receivable

| | <u>September 30, 2022</u> | | | | | |
|----------------------------------|---------------------------|------------------|----------------|-----------------|------------------|--------------------|
| | Not Past Due | 1~90 Days | 91~180 Days | 181~365 Days | Over 365 Days | Total |
| ECLs Rate | - | - | - | 50% | 100% | - |
| Gross Carrying Amount | \$1,282,431 | \$ 38,902 | \$ 10 | \$ - | \$ 6,200 | \$1,327,543 |
| Loss allowance (Lifetime ECL) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | (<u>6,200</u>) | (<u>6,200</u>) |
| Amortized cost | <u>\$1,282,431</u> | <u>\$ 38,902</u> | <u>\$ 10</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$1,321,343</u> |

December 31, 2021

| | Not Past Due | 1~90 Days | 91~180 Days | 181~365 Days | Over 365 Days | Total |
|----------------------------------|-------------------------|----------------------|------------------------|-------------------------|--------------------------|---------------------|
| ECLs Rate | - | - | - | 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>(6,200)</u> |
| Amortized cost | <u>\$ 1,494,329</u> | <u>\$ 10,447</u> | <u>\$ 46</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,504,822</u> |

September 30, 2021

| | Not Past Due | 1~90 Days | 91~180 Days | 181~365 Days | Over 365 Days | Total |
|----------------------------------|-------------------------|----------------------|------------------------|-------------------------|--------------------------|---------------------|
| ECLs Rate | - | - | - | 50% | 100% | - |
| Gross Carrying Amount | \$ 1,034,836 | \$ 7,318 | \$ 5,806 | \$ - | \$ 571 | \$ 1,048,531 |
| Loss allowance (Lifetime ECL) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(571)</u> | <u>(571)</u> |
| Amortized cost | <u>\$ 1,034,836</u> | <u>\$ 7,318</u> | <u>\$ 5,806</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,047,960</u> |

Movements of the loss allowance of accounts receivable

| | Nine Month Ended September 30 | |
|---|--------------------------------------|---------------|
| | 2022 | 2021 |
| Balance, beginning of period | \$ 6,200 | \$ 571 |
| Add : impairment losses in the current period | 86 | - |
| Less : Actual write-off in current period | <u>(86)</u> | <u>-</u> |
| Balance end of period | <u>\$ 6,200</u> | <u>\$ 571</u> |

11. INVENTORIES

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--------------------------|-------------------------------|------------------------------|-------------------------------|
| Merchandise | \$ 8,314 | \$ 13,851 | \$ 17,036 |
| Finished goods | 302,609 | 208,272 | 139,784 |
| Work in progress | 9,380 | 11,032 | 15,900 |
| Semi-finished goods | 142 | 1,988 | 3,257 |
| Raw materials | 577,367 | 458,141 | 348,595 |
| Supplies and spare parts | <u>33,429</u> | <u>26,541</u> | <u>32,416</u> |
| | <u>\$ 931,241</u> | <u>\$ 719,825</u> | <u>\$ 556,988</u> |

The costs of inventories recognized as cost of goods sold (including construction cost) for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021 were NT\$ 928,811 thousand and NT\$ 900,914 thousand, and NT\$ 3,169,632 thousand and NT\$ 2,451,549 respectively.

The costs of goods sold including the allowance for inventory valuation and obsolescence loss (gain from price recovery of inventory) for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021 were as NT\$ 1,780 and NT\$ 0, and NT\$ 3,792 thousand and NT\$ (203) thousand respectively. The gain from price recovery of inventory was resulted from the increase of the selling price of inventory.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

The main body of preparation of this consolidated financial statement is as follows:

| Investor | Investee (Name of Subsidiaries) | Nature of Activities | Proportion of Ownership (%) | | | Refer to |
|--|--|--|-----------------------------|----------------------|-----------------------|-------------------|
| | | | September 30, 2022 | December 31, 2021 | September 30, 2021 | |
| San Fu Chemical Co., Ltd. | San Fu Specialty Chemicals Investments Limited | Investment | 100% | 100% | 100% | Note 4 |
| | San Fu Food Additives Investments Limited | Investment | - | - | - | Note 1 Note 4 |
| | VinaSanFu Industrial Gas Company Limited | Production of industrial gases | 100% | 100% | 100% | Note 4 |
| | VinaSanFu Material Company Limited | Production of chemical materials | 100% | 100% | 100% | Note 4 |
| | San Fu Biotech Co., Ltd. | Sales and production of food additives | 93% | 93% | 100% | Note 3, Note 4 |
| | International Nitto Technology Co., Ltd. | Sales and production of electronic components | 100% | 100% | 100% | Note 4 |
| | Lifu Carbonate Co., Ltd. | Production of chemical materials | 87% | 87% | 87% | Note 2 Note 4 |
| San Fu Specialty Chemicals Investments Limited | Sino Star Holding Limited | Investment | 100% | 100% | 100% | Note 4 |
| VinaSanFu Material Company Limited | VinaSanFu Material Trading Co., Ltd | Production of chemical materials | 100% | 100% | 100% | Note 4, Note 5 |

Note 1: The company "San Fu Food Additives Investments Limited" was liquidated and dissolved in May 2021.

Note 2: On May 5, 2021, the Board of Directors of the Company resolved to acquire 62 % of the equity of Lifu Carbonic Acid Co., Ltd. originally held by Lifeng Carbonic Acid Co., Ltd., and the Company in the second quarter of 2021 has completed the relevant transaction. Since May 10, 2021, the Company's shareholding ratio in Lifu Carbonic Acid Co., Ltd. has increased from 25% to 87%. Therefore, the investment affiliates that was originally evaluated by the equity method was converted into subsidiaries, and NT\$ 22,797 thousand was recognized as the disposal of the investment benefit.

Note 3: On December 20, 2021, the company did not subscribe for the cash capital increase equity of San Fu Biotech Co., Ltd. according to the shareholding ratio, resulting in a decrease in the shareholding ratio from 100% to 93%.

Note 4: Only the financial statements of non-significant subsidiaries have not yet been reviewed by an accountant.

Note 5: VinaSanFu Material Trading Co., Ltd. was established in March 2022

Among the above-mentioned consolidated financial statements preparation entities, except for the company's consolidated financial statements which have been reviewed by accountants, the standalone financial statements of other subsidiaries that are not individually material have not been reviewed by accountants. Its total assets for the nine months ended September 30, 2022 and 2021 were NT\$ 2,455,652 thousand and NT\$ 1,716,961 thousand, respectively, amounted to 32% and 29% of the total consolidated assets, respectively. The total liabilities were NT\$ 293,486 thousand and NT\$ 222,793 thousand, respectively, which amounted to 9% and 11% of the consolidated total liabilities, respectively. For the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, the total recognized comprehensive profit and loss were (NT\$ 7,247) thousand and (NT\$ 4,217) thousand, and NT\$ 20,610 thousand and NT\$ 29,357 thousand respectively, which amounted to 3%, 3%, 2% and 7% of the total consolidated comprehensive profit and loss, respectively.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-------------------------------|-------------------------------|------------------------------|-------------------------------|
| Investments in associates | \$ 54,524 | \$ 51,488 | \$ 51,558 |
| Investments in joint ventures | <u>444,613</u> | <u>404,839</u> | <u>368,759</u> |
| | <u>\$ 499,137</u> | <u>\$ 456,327</u> | <u>\$ 420,317</u> |

The amount of total consolidated comprehensive income for the investments in associates and joint ventures recognized for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021 were NT\$ 19,294 thousand and NT\$ 21,156 thousand, and NT\$ 76,897 thousand and NT\$ 42,860 thousand, respectively.

The Company's management team believes there will be no material impact on the equity method accounting or the calculation of the amount of profit or loss and other comprehensive income from the financial statements of those investments which have not been audited.

a. Investments in associates

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|---|-------------------------------|------------------------------|-------------------------------|
| Associates that are not individually material | <u>\$ 54,524</u> | <u>\$ 51,488</u> | <u>\$ 51,558</u> |

b. Investments in joint ventures

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|---|-------------------------------|------------------------------|-------------------------------|
| Material joint ventures | | | |
| Sanfuming Electronic Material Co., Ltd. | <u>\$ 444,613</u> | <u>\$ 404,839</u> | <u>\$ 368,759</u> |

For further information about the business nature of the above-mentioned joint venture, the main business place and the country information of the company registration etc., please refer to the attached Table 5 - "The business relationship between the parent and the subsidiaries and significant transactions between them", Table 6 - "Information on investees" and Table 7 - "Information on Investments in Mainland China".

14. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Equipment | Transportation | Other Equipment | Property under Construction | Total |
|---|-------------------|--------------------|--------------------|-------------------|-------------------|-----------------------------|--------------------|
| <u>Cost</u> | | | | | | | |
| Balance at January 1, 2022 | \$ 162,700 | \$1,145,606 | \$2,162,086 | \$ 352,833 | \$ 417,323 | \$ 639,282 | \$4,879,830 |
| Reclassifications | - | 6,818 | 110,575 | 18,601 | 5,379 | (72,151) | 69,222 |
| Additions | - | 10,157 | 34,109 | 32,360 | 25,425 | 620,015 | 722,066 |
| Disposals | - | (2,544) | (180,023) | (3,889) | (11,424) | - | (197,880) |
| Forex differences | - | 6,500 | 11,929 | 229 | - | 47,218 | 65,876 |
| Carrying amounts at September 30, 2022 | <u>\$ 162,700</u> | <u>\$1,166,537</u> | <u>\$2,138,676</u> | <u>\$400,134</u> | <u>\$ 436,703</u> | <u>\$1,234,364</u> | <u>\$5,539,114</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | |
| Balance at January 1, 2022 | \$ - | \$ 464,568 | \$1,523,076 | \$ 304,921 | \$ 309,166 | \$ - | \$2,601,731 |
| Depreciation expenses | - | 42,703 | 112,206 | 17,348 | 34,135 | - | 206,392 |
| Disposals | - | (2,544) | (180,023) | (3,889) | (11,406) | - | (197,862) |
| Forex differences | - | 185 | 430 | 16 | - | - | 631 |
| Balance at Sep. 30, 2021 | <u>\$ -</u> | <u>\$ 504,912</u> | <u>\$1,455,689</u> | <u>\$ 318,396</u> | <u>\$ 331,895</u> | <u>\$ -</u> | <u>\$2,610,892</u> |
| Carrying amounts at Sep. 30, 2022 | <u>\$ 162,700</u> | <u>\$ 661,625</u> | <u>\$ 682,987</u> | <u>\$ 81,738</u> | <u>\$ 104,808</u> | <u>\$1,234,364</u> | <u>\$2,928,222</u> |
| Carrying new amounts at December 31, 2021 and 2022.1.1. | <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, 2021 | \$ 63,707 | \$1,069,711 | \$1,970,226 | \$ 348,403 | \$ 373,247 | \$ 332,099 | \$4,157,393 |
| Reclassifications | - | - | 28,284 | - | 7,040 | 4,582 | 39,906 |
| Additions | - | 4,366 | 36,935 | 1,825 | 27,922 | 356,898 | 427,946 |
| Disposals | - | - | (33,615) | (359) | (1,721) | - | (35,695) |
| Mergers and acquisitions | 98,993 | 697 | 8,195 | 6 | 4,535 | - | 112,426 |
| Forex differences | - | - | 7 | - | - | 40,681 | 40,688 |
| Balance at Sep. 30, 2021 | <u>\$ 162,700</u> | <u>\$1,074,774</u> | <u>\$2,010,032</u> | <u>\$ 349,875</u> | <u>\$ 411,023</u> | <u>\$ 734,260</u> | <u>\$4,742,664</u> |
| <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 | - | 41,643 | 100,436 | 14,298 | 33,412 | - | 189,789 |
| Disposals | - | - | (33,340) | (359) | (1,726) | - | (35,425) |
| Forex differences | - | - | 1 | - | - | - | 1 |
| Balance at Sep. 30, 2021 | <u>\$ -</u> | <u>\$ 450,249</u> | <u>\$1,487,797</u> | <u>\$ 299,997</u> | <u>\$ 297,105</u> | <u>\$ -</u> | <u>\$2,535,148</u> |
| Carrying net amounts at Sep. 30, 2021 | <u>\$ 162,700</u> | <u>\$ 624,525</u> | <u>\$ 522,235</u> | <u>\$ 49,878</u> | <u>\$ 113,918</u> | <u>\$ 734,260</u> | <u>\$2,207,516</u> |

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

| | |
|--|-------------|
| Buildings | |
| Main building | 3-45 years |
| Employee dormitory | 25-50 years |
| Firefighting, air-conditioning and other systems | 1-8 years |
| Engineering system | 3-38 years |
| Transportation | 1-10 years |
| Equipment | 1-27 years |
| Other equipment | 1-25 years |

Property, plant and equipment pledged as collateral for bank loans are described in Note 31.

15. LEASE ARRANGEMENTS

a. Right-of-use Assets

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--------------------------|-----------------------|----------------------|-----------------------|
| <u>Carrying amounts</u> | | | |
| Land | \$ 121,453 | \$ 122,939 | \$ 127,730 |
| Buildings | 4,894 | 6,687 | 8,146 |
| Transportation equipment | <u>5,080</u> | <u>7,585</u> | <u>8,500</u> |
| | <u>\$ 131,427</u> | <u>\$ 137,211</u> | <u>\$ 144,376</u> |

| | <u>Nine Months Ended September 30</u> | |
|---------------------------------|---|------------------|
| | 2022 | 2021 |
| Increase of Right-of-use Assets | <u>\$ 8,968</u> | <u>\$ 19,697</u> |

| | <u>Three Months Ended September 30</u> | | <u>Nine Months Ended September 30</u> | |
|-------------------------------------|--|-----------------|---|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Additions to right-of-use assets | | | | |
| Depreciation of right-of-use assets | | | | |
| Land | \$ 4,365 | \$ 4,233 | \$ 13,071 | \$ 12,633 |
| Buildings | 1,424 | 1,458 | 3,710 | 4,362 |
| Transportation equipment | <u>1,013</u> | <u>999</u> | <u>3,070</u> | <u>2,582</u> |
| | <u>\$ 6,802</u> | <u>\$ 6,690</u> | <u>\$ 19,851</u> | <u>\$ 19,577</u> |

Except for the additions and depreciation expenses listed above, there was no significant sublease or depreciation of the right-of-use assets of the Company ended September 30, 2022 and 2021.

b. Lease Liabilities

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-------------------------|-----------------------|----------------------|-----------------------|
| <u>Carrying Amounts</u> | | | |
| Current portion | \$ 22,201 | \$ 22,427 | \$ 24,042 |
| Noncurrent portion | <u>39,216</u> | <u>49,940</u> | <u>54,447</u> |
| | <u>\$ 61,417</u> | <u>\$ 72,367</u> | <u>\$ 78,489</u> |

Range of discount rate for lease liabilities are as follows:

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--------------------------|-----------------------|----------------------|-----------------------|
| Land | 1.03%~2.5% | 1.03%~2.5% | 1.03%~2.5% |
| Buildings | 1.03% | 1.03% | 1.03% |
| Transportation equipment | 1.03% | 1.03% | 1.03% |

c. Anther Lease Information

| | <u>Three Months Ended September 30</u> | | <u>Nine Months Ended September 30</u> | |
|---|--|---------------|---|--------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Expenses relating to short-term leases | <u>\$ 2,253</u> | <u>\$ 837</u> | <u>\$ 6,392</u> | <u>\$ 2,039</u> |
| Expenses relating to low-value asset leases | <u>\$ 297</u> | <u>\$ 273</u> | <u>\$ 855</u> | <u>\$ 761</u> |
| Total cash outflow for leases | | | <u>(\$ 26,354)</u> | <u>(\$ 21,752)</u> |

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

16. LOANS

a. Short-term Loans

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--------------------------------|-----------------------|----------------------|-----------------------|
| <u>Secured loans (Note 31)</u> | | | |
| Bank loans | \$ 350,000 | \$ 280,000 | \$ 310,000 |
| <u>Unsecured loans</u> | | | |
| Bank loans | <u>1,272,854</u> | <u>650,000</u> | <u>596,000</u> |
| | <u>\$ 1,622,854</u> | <u>\$ 930,000</u> | <u>\$ 906,000</u> |

The range of general working capital loan interest rates was 0.8% ~ 1.37%, 0.78% ~ 1.02% and 0.78% ~ 1.02% per annum as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

b. Long-term bank loans

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|---|-----------------------|----------------------|-----------------------|
| <u>Unsecured loans</u> | | | |
| Bank loans | \$ 450,000 | \$ 194,502 | \$ 217,144 |
| Less: Current portion matured within a year | (<u>100,000</u>) | (<u>90,572</u>) | (<u>90,572</u>) |
| Long-term bank loans | <u>\$ 350,000</u> | <u>\$ 103,930</u> | <u>\$ 126,572</u> |

The preferential interest rates for the above-mentioned long-term bank loans were 1.34% ~ 1.485%, 1.175% ~ 1.25% and 1.175% ~ 1.25% per annum as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

17. NOTES AND ACCOUNTS PAYABLE

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|------------------|-----------------------|----------------------|-----------------------|
| Notes payable | \$ - | \$ 479 | \$ 479 |
| Accounts payable | <u>400,078</u> | <u>501,601</u> | <u>302,192</u> |
| | <u>\$ 400,078</u> | <u>\$ 502,080</u> | <u>\$ 302,671</u> |

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

18. OTHER PAYABLES

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|------------------------------------|-----------------------|----------------------|-----------------------|
| Other payables | \$ 187,698 | \$ 301,200 | \$ 185,301 |
| Payable for constructions | 35,395 | 16,935 | 17,029 |
| Payable for purchases of equipment | <u>18,845</u> | <u>22,851</u> | <u>23,463</u> |
| | <u>\$ 241,938</u> | <u>\$ 340,986</u> | <u>\$ 225,793</u> |

19. RETIREMENT BENEFIT PLANS

The pension expenses related to the defined contribution and benefit plans recognized for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 are calculated based on the pension cost rate determined by actuarial calculation on December 31, 2021 and 2020, and the amounts were NT\$ 188 thousand, NT\$ 177 thousand, NT\$ 565 thousand and NT\$ 533 thousand respectively.

20. EQUITY

a. Capital stock

Common Stock

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|---------------------------------------|-------------------------------|------------------------------|-------------------------------|
| Authorized shares (in thousands) | <u>120,000</u> | <u>120,000</u> | <u>120,000</u> |
| Authorized capital | <u>\$ 1,200,000</u> | <u>\$ 1,200,000</u> | <u>\$ 1,200,000</u> |
| Issued and paid shares (in thousands) | <u>100,706</u> | <u>100,706</u> | <u>100,706</u> |
| Issued capital | <u>\$ 1,007,060</u> | <u>\$ 1,007,060</u> | <u>\$ 1,007,060</u> |

b. Capital Surplus

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--|-------------------------------|------------------------------|-------------------------------|
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to capital stock (1)</u> | | | |
| Additional paid-in capital | \$ 669,199 | \$ 870,611 | \$ 870,611 |
| Donations (Note 30) | 36,943 | 34,043 | 34,043 |
| <u>For the purpose of offsetting deficit only</u> | | | |
| Exercised employee share options (2) | 54,804 | 54,804 | 54,804 |
| Expired employee share options (2) | 2,151 | 2,151 | 2,151 |
| Other- exercise the right of disgorgement (4) | 30 | - | - |
| Recognition of changes in ownership interests in subsidiary entity (3) | (859) | (859) | - |
| | <u>\$ 762,268</u> | <u>\$ 960,750</u> | <u>\$ 961,609</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 share options shall only be used to offset a deficit.
3. This type of capital surplus refers to the impact of equity transactions recognized by the Company's equity changes when the Company has not actually acquired or disposed of the subsidiary company's equity, or the adjustment amount recognized by the Company's equity method to recognize the subsidiary's capital surplus.
4. The benefits obtained by exercising the right of disgorgement are essentially the investment of the holder of the right of claim to the Company, which does not meet the definition of income in the conceptual framework. The Company shall recognize the benefits obtained from exercising the right of disgorgement as capital surplus, and properly disclose its facts and effects.

c. Retained Earnings and Dividends Policy

The shareholders of the Company held their regular meeting on June 13, 2019 and in that meeting, the amendments to the Company's Articles of Incorporation (the "Articles") were resolved. 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 22 (5).

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 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 Company held regular shareholders' meetings on June 17, 2022 and July 5, 2021. The earnings for the fiscal years 2021 and 2020 were appropriated as follows:

| | Fiscal Year 2021 | Fiscal Year 2020 |
|----------------------------------|-------------------------|-------------------------|
| Legal reserve | <u>\$ 67,034</u> | <u>\$ 40,984</u> |
| Special reserve | <u>\$ 21,446</u> | <u>\$ 47,054</u> |
| Cash dividends | <u>\$ 302,118</u> | <u>\$ 201,412</u> |
| Cash dividends per share (NT\$) | <u>\$ 3.0</u> | <u>\$ 2.0</u> |

The quarterly appropriations of earnings for 2021 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 |
|--|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| | February 25, 2022 | November 5, 2021 | August 6, 2021 | May 5, 2021 |
| Resolution Date of the Company's Board of Directors in its Meeting | | | | |
| Cash dividends to shareholders | <u>\$ 302,118</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Cash dividends per share (NT\$) | <u>\$ 3.0</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The Company's regular shareholders' meetings resolved on June 17, 2022 and July 05, 2021 to issue cash out of the capital reserves NT\$ 201,412 thousand and NT\$100,706 thousand respectively, and to issue cash dividends per share at NT\$ 2.0 and NT\$ 1.0 respectively.

The quarterly appropriation of earnings and the Earnings Per Share (EPS) for 2022 were approved by the Company's Board of Directors respectively as follows:

| | Third Quarter of 2022 | Second Quarter of 2022 | First Quarter of 2022 |
|---|--------------------------|---------------------------|--------------------------|
| Date resolved by the Board of Directors | November 5, 2022. | August 5, 2022 | May 6, 2022 |
| Cash Dividend | \$ _____ | \$ _____ | \$ _____ |
| EPS Cash (NT\$) | \$ _____ | \$ _____ | \$ _____ |

d. Special Reserve

| | <u>Nine Months Ended September 30</u> | |
|--|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Beginning Balance | \$ 103,348 | \$ 56,293 |
| Recognized Special Revenue | | |
| Recognized other deductible equity items | 21,446 | 47,055 |
| Ending Balance | <u>\$ 124,794</u> | <u>\$ 103,348</u> |

e. Non-controlling interests

| | <u>Nine Months Ended September 30</u> | |
|---|---------------------------------------|------------------|
| | 2022 | 2021 |
| Beginning Balance | \$ 31,886 | \$ - |
| Current Net Profit | 662 | (467) |
| Non-controlling interests gained from subsidiaries (Note 25) | | |
| Ending Balance | <u>-</u> | <u>15,208</u> |
| | <u>\$ 32,548</u> | <u>\$ 14,741</u> |

21. REVENUE

| | <u>Three Months Ended September 30</u> | | <u>Nine Months Ended September 30</u> | |
|-------------------------------|--|---------------------|---|---------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenue from sale of goods | \$ 1,189,955 | \$ 1,159,533 | \$ 4,291,321 | \$ 3,074,764 |
| Construction contract revenue | 27,846 | 20,624 | 126,058 | 65,384 |
| | <u>\$ 1,217,801</u> | <u>\$ 1,180,157</u> | <u>\$ 4,417,379</u> | <u>\$ 3,140,148</u> |

Contract Balances

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|---------------------------------------|-----------------------|----------------------|-----------------------|
| Contract assets | | | |
| Properties construction - current | \$ 6,006 | \$ 8,200 | \$ 11,152 |
| Properties construction - non-current | - | - | 16 |
| | <u>\$ 6,006</u> | <u>\$ 8,200</u> | <u>\$ 11,168</u> |
| Contract liabilities | | | |
| Properties construction - current | \$ 154,571 | \$ 182,441 | \$ 162,230 |
| Sale of goods- current | 1,550 | 20,790 | 12,363 |
| | <u>\$ 156,121</u> | <u>\$ 203,231</u> | <u>\$ 174,593</u> |

22. NET PROFIT

a. Other Income

| | <u>Three Months Ended September 30</u> | | <u>Nine Months Ended September 30</u> | |
|-----------------------|--|-----------------|---|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Dividend income- | \$ 2,697 | \$ 1,413 | \$ 2,697 | \$ 1,413 |
| Rendering of services | 4,275 | 3,346 | 12,823 | 11,792 |
| Subsidy income | - | - | - | 3,500 |
| Others | 3,301 | 2,689 | 12,482 | 8,354 |
| | <u>\$ 10,273</u> | <u>\$ 7,448</u> | <u>\$ 28,002</u> | <u>\$ 25,059</u> |

b. Other Gains and Losses

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|------------------------------------|---------------|-----------------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Loss for disposal of Properties, plants and equipment | \$ - | \$ 542 | \$ 6 | \$ 273 |
| Gain from disposal of subsidiaries | - | - | - | 424 |
| Investment gains recognized by equity method of accounting | - | - | - | 22,797 |
| Net foreign exchange gain (loss) | 35,460 | (403) | 62,893 | (8,449) |
| Interests in financial assets at fair value through profit or loss | 6,633 | - | 6,580 | - |
| Others | (7) | (29) | (36) | (39) |
| | <u>\$ 42,086</u> | <u>\$ 110</u> | <u>\$ 69,443</u> | <u>\$ 15,006</u> |

c. Depreciation

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--------------------------------------|------------------------------------|------------------|-----------------------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Properties, plants and equipment | \$ 71,377 | \$ 63,464 | \$ 206,392 | \$ 189,789 |
| Right-of-use assets | <u>6,802</u> | <u>6,690</u> | <u>19,851</u> | <u>19,577</u> |
| | <u>\$ 78,179</u> | <u>\$ 70,154</u> | <u>\$ 226,243</u> | <u>\$ 209,366</u> |
| Analysis of depreciation by function | | | | |
| Operating costs | \$ 67,258 | \$ 62,717 | \$ 196,815 | \$ 188,247 |
| Operating expenses | <u>10,921</u> | <u>7,437</u> | <u>29,428</u> | <u>21,119</u> |
| | <u>\$ 78,179</u> | <u>\$ 70,154</u> | <u>\$ 226,243</u> | <u>\$ 209,366</u> |

d. Employee Benefits Expense

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|------------------------------------|-------------------|-----------------------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Post-employment benefits | | | | |
| Defined contribution plans | \$ 3,605 | \$ 3,114 | \$ 10,470 | \$ 8,999 |
| Defined benefit plans (Note 19) | 188 | 177 | 565 | 533 |
| Short-term benefits | | | | |
| Salaries | 108,948 | 83,848 | 332,647 | 248,426 |
| Labor and health insurance | 7,758 | 6,712 | 24,848 | 20,971 |
| Others | <u>15,917</u> | <u>15,496</u> | <u>55,246</u> | <u>39,873</u> |
| Total employee benefits expense | <u>\$ 136,416</u> | <u>\$ 109,347</u> | <u>\$ 423,776</u> | <u>\$ 318,802</u> |
| Analysis of employee benefits expense by function | | | | |
| Operating costs | \$ 62,697 | \$ 51,145 | \$ 196,432 | \$ 154,743 |
| Operating expenses | <u>73,719</u> | <u>58,202</u> | <u>227,344</u> | <u>164,059</u> |
| | <u>\$ 136,416</u> | <u>\$ 109,347</u> | <u>\$ 423,776</u> | <u>\$ 318,802</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 nine months ended September 30, 2022 and 2021, which was approved by the Company's Board of Directors, respectively, were as follows:

| | Nine Months Ended September 30 | |
|---|---|-------------|
| | 2022 | 2021 |
| Beginning Balance | | |
| Employees' compensation | 1.71% | 2.15% |
| Remuneration of directors and supervisors | 1.71% | 2.15% |

| <u>Amount</u> | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|--|-----------------|---|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Employees' compensation | <u>\$ 4,500</u> | <u>\$ 4,000</u> | <u>\$ 16,950</u> | <u>\$ 10,030</u> |
| Remuneration of directors and supervisors | <u>\$ 4,500</u> | <u>\$ 4,000</u> | <u>\$ 16,950</u> | <u>\$ 10,030</u> |

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 and February 26, 2021, and those meetings resulted in the actual amounts of the employees' compensation and remuneration of directors and supervisors paid for the fiscal years 2021 and 2020 are as respectively follows:

| | For the Fiscal Year | |
|---|----------------------------|-------------|
| | 2021 | 2020 |
| | Cash | Cash |
| Employees' compensation | \$ 16,588 | \$ 10,547 |
| Remuneration of directors and supervisors | \$ 16,588 | \$ 10,547 |

The Company held Board of Directors' Meetings on February 25, 2022 and February 26, 2021, and those meetings resulted in the actual amounts of the employees' compensation and remuneration of directors and supervisors paid for the fiscal years 2021 and 2020 to differ from the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021, respectively. Since the difference was not significant, therefore, it was adjusted to profit and loss for the years ended December 31, 2022 and 2021 respectively.

| | For the Year Ended December 31 | | | |
|--|---------------------------------------|--|--------------------------------|--|
| | 2021 | | 2020 | |
| | Employees' compensation | Remuneration of directors and supervisors | Employees' compensation | Remuneration of directors and supervisors |
| Amounts approved in the Board of Directors' meeting | <u>\$ 16,588</u> | <u>\$ 16,588</u> | <u>\$ 10,547</u> | <u>\$ 10,547</u> |
| Amounts recognized in the annual consolidated financial statements | <u>\$ 16,600</u> | <u>\$ 16,600</u> | <u>\$ 9,800</u> | <u>\$ 9,800</u> |

Information on the employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2022 and 2021 approved by the Company's Board of Directors is available at the MOPS (Market Observation Post System) website of the Taiwan Stock Exchange.

f. Finance Costs

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|-------------------------------|------------------------------------|-----------------|-----------------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest on bank loans | \$ 5,507 | \$ 2,238 | \$ 11,717 | \$ 5,400 |
| Interest on lease liabilities | <u>203</u> | <u>264</u> | <u>654</u> | <u>826</u> |
| | <u>\$ 5,710</u> | <u>\$ 2,502</u> | <u>\$ 12,371</u> | <u>\$ 6,226</u> |

g. Gains or Losses on Foreign Currency Exchange

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|-------------------------|------------------------------------|------------------|-----------------------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Foreign exchange gains | \$ 56,043 | \$ 3,894 | \$ 106,992 | \$ 15,696 |
| Foreign exchange losses | (<u>20,583</u>) | (<u>4,297</u>) | (<u>44,099</u>) | (<u>24,145</u>) |
| Net losses | <u>\$ 35,460</u> | <u>(\$ 403)</u> | <u>\$ 62,893</u> | <u>(\$ 8,449)</u> |

23. INCOME TAX

a. Income Tax Expense Recognized in Profit or Loss

Income tax expenses consist of the following:

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|----------------------------------|------------------------------------|------------------|-----------------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Current income tax expense | | | | |
| In respect of the current period | \$ 43,339 | \$ 36,392 | \$ 193,437 | \$ 81,647 |
| Adjustments for prior periods | <u>-</u> | <u>-</u> | (<u>1,983</u>) | (<u>4,070</u>) |
| | <u>43,339</u> | <u>36,392</u> | <u>191,454</u> | <u>77,577</u> |
| Deferred income tax benefit | | | | |
| In respect of the current period | <u>4,397</u> | <u>1,131</u> | <u>6,891</u> | <u>4,464</u> |
| Adjustments for prior periods | <u>\$ 47,736</u> | <u>\$ 37,523</u> | <u>\$ 198,345</u> | <u>\$ 82,041</u> |

b. Income Tax Assessments

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

24. EARNINGS PER SHARE (EPS)

Unit: NT\$ Per Share

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|----------------------------|------------------------------------|----------------|-----------------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Basic earnings per share | <u>\$ 1.62</u> | <u>\$ 1.55</u> | <u>\$ 7.62</u> | <u>\$ 3.69</u> |
| Diluted earnings per share | <u>\$ 1.62</u> | <u>\$ 1.55</u> | <u>\$ 7.61</u> | <u>\$ 3.69</u> |

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

Net Profit for the Periods

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|--|-------------------|---|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net Profit attributed to the business owner of the Company | <u>\$ 163,410</u> | <u>\$ 156,215</u> | <u>\$ 767,943</u> | <u>\$ 371,943</u> |

The Weighted Average Number of Ordinary Shares outstanding (in thousand shares) is as follows:

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|--|----------------|---|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 100,706 | 100,706 | 100,706 | 100,706 |
| Effect of potentially dilutive ordinary shares | | | | |
| Employees' compensation | <u>141</u> | <u>149</u> | <u>165</u> | <u>183</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>100,847</u> | <u>100,855</u> | <u>100,871</u> | <u>100,889</u> |

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

25. MERGERS AND ACQUISITIONS

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, 2022 | 62% | <u>\$ 70,060</u> |

The main purpose of the 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 |
| Noncurrent assets | |
| Real estate, plant and equipment | 112,426 |
| Other | 17 |
| Current liabilities | |
| Other | (323) |
| Noncurrent 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

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

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

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

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

e. Net Cash Outflow from Acquiring Subsidiaries

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

26. TRANSACTIONS OF INTERESTS WITH NON-CONTROLLING INTERESTS

On December 20, 2021, Sanfu Biotech Co., Ltd. increased capital in cash and subscribed shares to employees according to laws and regulations, resulting in a decrease in the shareholding ratio of the merged company from 100% to 93.48%.

| | <u>Sanfu Biotech Co., Ltd.</u> |
|--|--------------------------------|
| Cash consideration received | \$ 15,000 |
| The amount transferred out of non-controlling equity due to the carrying amount of the subsidiary's net assets calculated based on changes in relative equity. | (<u>15,859</u>) |
| Equity Transaction Difference | (<u>\$ 859</u>) |

| | |
|---|------------|
| <u>Equity transaction balance adjustment item</u> | |
| Capital reserves - Recognition of changes in ownership interests in subsidiaries | (\$ 859) |

27. NON-CASH TRANSACTION

For the nine months ended September 30, 2022 and 2021, the Company engaged in the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows:

The costs reclassified and paid by the Company for property, plant and equipment partly for nine months ended September 30, 2022 and 2021 were as follows (please refer to Notes 14 and 18:

| | Nine Months Ended September 30 | |
|---|---|-------------------|
| | 2022 | 2021 |
| Payments for equipment transferred (reclassification) | <u>\$ 69,222</u> | <u>\$ 39,906</u> |
| Acquire subsidiary assets | <u>\$ -</u> | <u>\$ 112,426</u> |
| Increase in payments for equipment and constructions | (\$ 14,454) | (\$ 12,364) |
| Purchase property, plant and equipment | <u>722,066</u> | <u>427,946</u> |
| Paid in cash by acquiring property, plant and equipment | <u>\$ 707,612</u> | <u>\$ 415,582</u> |

28. CAPITAL RISK MANAGEMENT

The Company manage 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 set its suitable market share according to its industry scale, the growth of the industry and the blueprint of the product development. The Company estimate the required capacity, the equipment and related capital expenditure to be used. Then the Company calculate the working capitals and cash based on the industry character to support a complete plan for its long-term development. Finally, the Company estimate 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 adopt a prudent risk management strategy.

29. FINANCIAL INSTRUMENTS

a. Fair Value of Financial Instruments Not Measured at Fair Value

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

b. Fair Value of Financial Instruments Measured at Fair Value on a Recurring Basis

1) Fair Value Hierarchy

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|------------------|----------------|------------------|
| <u>September 30, 2022</u> | | | | |
| <u>Financial assets at FVTPL</u> | | | | |
| Derivative Instrument - Changes in Interests of Foreign Exchange Option Contracts | <u>\$ -</u> | <u>\$ 14,398</u> | <u>\$ -</u> | <u>\$ 14,398</u> |

(Continued)

Financial assets at FVTOCI

Investments in equity instruments
at FVTOCI

| | | | | |
|--------------------------|------------------|-------------|------------------|------------------|
| Domestic listed shares | \$ 25,439 | \$ - | \$ - | \$ 25,439 |
| Domestic unlisted shares | - | - | 6,698 | 6,698 |
| Foreign unlisted shares | - | - | <u>60,698</u> | <u>60,698</u> |
| Total | <u>\$ 25,439</u> | <u>\$ -</u> | <u>\$ 67,396</u> | <u>\$ 92,835</u> |

December 31, 2021

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 | - | - | <u>52,917</u> | <u>52,917</u> |
| Total | <u>\$ 27,297</u> | <u>\$ -</u> | <u>\$ 59,615</u> | <u>\$ 86,912</u> |

September 30, 2021

Financial assets at FVTOCI

Investments in equity instruments
at FVTOCI

| | | | | |
|--------------------------|------------------|-------------|-------------------|-------------------|
| Domestic listed shares | \$ 27,751 | \$ - | \$ - | \$ 27,751 |
| Domestic unlisted shares | - | - | 6,698 | 6,698 |
| Foreign unlisted shares | - | - | <u>102,548</u> | <u>102,548</u> |
| Total | <u>\$ 27,751</u> | <u>\$ -</u> | <u>\$ 109,246</u> | <u>\$ 136,997</u> |

(Concluded)

There were no transfers of financial assets at FVTOCI between Levels 1 and 2 for the period ended September 30 in the fiscal years 2022 and 2021.

2) Financial Instruments Applied for Level 3 Adjustment at FVTOCI

| | Financial assets at FVTOCI | |
|--------------------------------------|--|-------------------|
| | <u>Nine Months Ended September 30</u> | |
| | 2022 | 2021 |
| Financial assets – Equity instrument | | |
| Beginning balance | \$ 59,615 | \$ 110,451 |
| Foreign exchange difference | <u>7,781</u> | <u>(1,205)</u> |
| Ending balance | <u>\$ 67,396</u> | <u>\$ 109,246</u> |

3) Valuation Techniques and Assumptions Used in Fair Value Measurement

- 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.
- Valuation techniques and assumption used in Level 2 fair value measurement

Category of financial instrument
Derivative Instrument -
Changes in Interests of Foreign
Exchange Option Contracts

Valuation techniques and input values
The fair value of the foreign exchange option contract is calculated based on the spot exchange rate on the evaluation date, the exercise price of the option, the exchange rate volatility, the contract expiration period, and the quoted risk-free interest rate during the contract expiration period.

c) Valuation techniques and assumption used in 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.

| | September 30, 2022 | September 30, 2021 |
|------------------------------------|-------------------------------|-------------------------------|
| 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 as follows:

| | September 30, 2022 | September 30, 2021 |
|---|-------------------------------|-------------------------------|
| Discount for lack of marketability 1% decrease | <u>\$ 96</u> | <u>\$ 77</u> |
| Non-controlling interests discount 1% decrease | <u>\$ 90</u> | <u>\$ 72</u> |

- ii. The fair values of non-listed domestic and foreign equity investments were Level 3 fair value assets, and determined using the market approach by reference the Price-to-Book ratios (P/B ratios) of peer companies that traded in active market or using assets approach. The significant unobservable inputs used were listed in the table below. A decrease in discount for the lack of marketability would result in increases in the fair values. The evaluation method selected by the Company after careful evaluation is reasonable for fair value measurement, but different evaluation models or fair values may lead to different evaluation results.

c. Categories of Financial Instruments

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|------------------------------|-------------------------------|------------------------------|-------------------------------|
| <u>Financial assets</u> | | | |
| FVTPL | \$ 14,398 | \$ - | \$ - |
| Amortized cost (Note 1) | 2,472,453 | 2,367,320 | 1,809,477 |
| FVTOCI | 92,835 | 86,912 | 136,997 |
| <u>Financial liabilities</u> | | | |
| Amortized cost (Note 2) | 2,717,637 | 1,971,338 | 1,656,008 |

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.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term loans, notes payables, account payables - related parties, long-term liabilities due within one year, others payable and Long-term bank loans.

d. Financial Risk Management Objectives and Policies

The Company's major financial instruments include financial assets at amortized cost, equity investments, short-term loans, notes and account payables, account payables - related parties, others payable, long-term

bank loans due within one year, and long-term bank 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 is engaged in developing a disciplined and constructive control environment, in order to have all employees understand own responsibilities.

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

1) Market Risk

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

| | (Amounts in Thousands of New Taiwan Dollars) | |
|----------------|--|----------------------|
| | Currency NTD Impact on USD | |
| | Nine Months Ended September 30 | |
| | 2022 | 2021 |
| Profit or loss | <u>\$ 24,317</u> (i) | <u>\$ 10,001</u> (i) |

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

b) Interest Rate Risk

The Company is exposed to interest rate risks because entities in the Company borrow funds at both fixed and floating interest rates. The financial costs for the period ended September 30 in the fiscal years 2022 and 2021 were NT\$ 12,371 thousand and NT\$ 6,226 thousand respectively, which only constitute 0.28% and 0.20% 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:

| | (Amounts in Thousands of New Taiwan Dollars) | | |
|-------------------------------|--|----------------------|-----------------------|
| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
| Fair value interest rate risk | | | |
| - Financial liabilities | \$ 1,419,271 | \$ 967,367 | \$ 879,489 |
| Cash flow interest rate risk | | | |
| - Financial liabilities | 715,000 | 229,502 | 322,144 |

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 nine months ended September 30 in the fiscal years 2022 and 2021 would decrease by NT\$ 268 thousand and NT\$ 121 thousand, respectively.

c) Other Price Risk

The Company is 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 nine months ended September 30 in the fiscal years 2022 and 2021 would have increased by NT\$ 4,642 thousand and NT\$ 6,850 thousand respectively, because of the changes in fair value of financial assets at FVTOCI.

2) Credit Risk Management

Credit risk refers to the risk that a 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 is to trade with reputable objects only, and continue to supervise the credit risk insurance and the credit rating of the counterparty

Apart from the companies A, B and C of the Company, The Company has no significant credit risk exposure from any single counterparty or any group of counterparties with similar characteristics.

Apart from the companies A, B and C, the concentration of credit risk to other clients did not exceed 10% of total accounts receivable. The balance of accounts receivable from customers A, B and C accounts for 63% of the balance of accounts receivable of the Company. The credit risk is expected to be immaterial as the companies A, B and C are all reliable and trustworthy counterparties.

3) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of September 30, 2022, and December 31, 2021 and September 30, 2021, the Company had available unutilized short-term bank loan credit facilities in the amount of NT\$ 1,499,937 thousand, NT\$ 746,415 thousand and NT\$ 648,176 thousand, respectively.

The table below summarizes the maturity profile of the Company's non-derivative financial liabilities based on contractual undiscounted payments, including principal and interest.

September 30, 2022

| | On Demand Or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | More than 5 Years |
|------------------------------------|---|-------------------|-------------------------------|-------------------|------------------------------|
| Lease liabilities | \$ 2,193 | \$ 4,175 | \$ 16,474 | \$ 22,101 | \$ 18,804 |
| Variable interest rate liabilities | 290,000 | - | 75,000 | 350,000 | - |
| Fixed interest rate liabilities | <u>770,000</u> | <u>550,000</u> | <u>37,854</u> | <u>-</u> | <u>-</u> |
| | <u>\$1,062,193</u> | <u>\$ 554,175</u> | <u>\$ 129,328</u> | <u>\$ 372,101</u> | <u>\$ 18,804</u> |

Additional information about the maturity analysis for lease liabilities

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years |
|-------------------|-----------------------------|------------------|-------------------|--------------------|
| Lease liabilities | <u>\$ 22,842</u> | <u>\$ 22,101</u> | <u>\$ 18,804</u> | <u>\$ -</u> |

December 31, 2021

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

Additional information about the maturity analysis for lease liabilities

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

September 30, 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 | \$ 4,280 | \$ 18,480 | \$ 33,570 | \$ 22,982 |
| Variable interest rate liabilities | 20,000 | 107,643 | 67,929 | 126,572 | - |
| Fixed interest rate liabilities | <u>315,000</u> | <u>336,000</u> | <u>150,000</u> | <u>-</u> | <u>-</u> |
| | <u>\$337,154</u> | <u>\$447,923</u> | <u>\$236,409</u> | <u>\$160,142</u> | <u>\$ 22,982</u> |

Additional information about the maturity analysis for lease liabilities

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years |
|-------------------|-----------------------------|------------------|-------------------|--------------------|
| Lease liabilities | <u>\$ 24,914</u> | <u>\$ 33,570</u> | <u>\$ 22,982</u> | <u>\$ -</u> |

30. RELATED PARTY TRANSACTIONS

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

a. Related Party Name and Categories

| <u>Related Party Name</u> | <u>Related Party Categories</u> |
|--|---|
| San Fu Global Ltd. | Investors with significant influence over the Company |
| Zhang Chun Ming | Investors with significant influence over the Company |
| Lifu Carbonate Co., Ltd. | Associates (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 party |

b. Sales of Goods

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|--|-----------------|---|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| <u>Sales</u> | | | | |
| Associates | \$ 21 | \$ - | \$ 21 | \$ - |
| Joint ventures | <u>1,003</u> | <u>1,605</u> | <u>1,238</u> | <u>6,493</u> |
| | <u>\$ 1,024</u> | <u>\$ 1,605</u> | <u>\$ 1,259</u> | <u>\$ 6,493</u> |
| <u>Purchase</u> | | | | |
| Associates | \$ 3,274 | \$ 3,715 | \$ 6,959 | \$ 8,883 |
| Joint ventures | <u>87</u> | <u>941</u> | <u>87</u> | <u>1,024</u> |
| | <u>\$ 3,361</u> | <u>\$ 4,656</u> | <u>\$ 7,046</u> | <u>\$ 9,907</u> |
| <u>Service revenue</u> (recognized as other income) | | | | |
| Joint ventures | | | | |
| Sanfuming Electronic Material Co., Ltd. | <u>\$ 1,574</u> | <u>\$ 646</u> | <u>\$ 4,908</u> | <u>\$ 3,692</u> |

| | | | | |
|---|--------|--------|--------|--------|
| <u>Service expense</u> (recognized as other expense) | | | | |
| Investors with significant influence over the Company | \$ 286 | \$ 286 | \$ 857 | \$ 857 |

| | | | | |
|-------------------------------------|------|------|----------|------|
| <u>Donation</u> | | | | |
| Other related party Fulu Culture | \$ - | \$ - | \$ 1,000 | \$ - |

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

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--|-----------------------|----------------------|-----------------------|
| <u>Accounts receivable - related party</u> | | | |
| Joint ventures | \$ 1,428 | \$ 15,935 | \$ 1,666 |
| <u>Other receivables - related party</u> | | | |
| Investors with significant influence | | | |
| Joint ventures | 4,722 | 3,692 | 3,692 |
| | <u>\$ 6,150</u> | <u>\$ 19,627</u> | <u>\$ 5,358</u> |
| <u>Accounts payable - related party</u> | | | |
| Investors with significant influence | | | |
| Associates | \$ - | \$ 300 | \$ 500 |
| | 2,767 | 3,470 | 3,900 |
| | <u>\$ 2,767</u> | <u>\$ 3,770</u> | <u>\$ 4,400</u> |

The outstanding accounts payable from related parties are unsecured and the outstanding accounts receivable from related parties are unsecured. No impairment loss was recognized for accounts receivable from related parties.

c. Lease Arrangements

| <u>Accounting Items</u> | <u>Related Party Category/Name</u> | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-------------------------|--------------------------------------|-----------------------|----------------------|-----------------------|
| Lease liabilities | Investors with significant influence | | | |
| | Sanfu Global Co., Ltd. | \$ 38,709 | \$ 43,159 | \$ 44,472 |
| | Others | 172 | 1,019 | 1,272 |
| | | <u>\$ 38,881</u> | <u>\$ 44,178</u> | <u>\$ 45,744</u> |

| <u>Related Party Category/Name</u> | <u>Three Months Ended</u> <u>September 30</u> | | <u>Nine Months Ended</u> <u>September 30</u> | |
|--------------------------------------|--|---------------|---|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| <u>Interest Expense</u> | | | | |
| Investors with significant influence | | | | |
| Sanfu Global Co., Ltd. | \$ 102 | \$ 112 | \$ 316 | \$ 340 |
| Others | 1 | 4 | 4 | 13 |
| | <u>\$ 103</u> | <u>\$ 116</u> | <u>\$ 320</u> | <u>\$ 353</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 NT\$ 2,900 thousand and NT\$ 6,124 thousand for nine months ended September 30, 2022 and 2021 respectively, and

the revenue was credited in capital surplus-donations.

e. Compensation of Key Management Personnel

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|------------------------------|------------------------------------|-----------------|-----------------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Short-term employee benefits | \$ 14,326 | \$ 8,106 | \$ 36,586 | \$ 29,255 |
| Post-employment benefits | 386 | 466 | 1,151 | 1,197 |
| | <u>\$ 14,712</u> | <u>\$ 8,572</u> | <u>\$ 37,737</u> | <u>\$ 30,452</u> |

The compensation to directors and key management personnel were determined by the Compensation Committee of SFCCL in accordance with the individual performance and market trend

31. PLEDGED ASSETS

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

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--|-----------------------|----------------------|-----------------------|
| Pledged deposits (classified as financial assets at amortized cost) | \$ 222,400 | \$ 222,400 | \$ 222,400 |
| Land | 40,349 | 40,349 | 40,349 |
| Buildings, net | 42,734 | 45,443 | 46,345 |
| Noncurrent assets held for sale | <u>\$ 305,483</u> | <u>\$ 308,192</u> | <u>\$ 309,094</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:

September 30, 2022

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|--|-----------------------|-------------------|-----------------|
| <u>Foreign Currency Assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ 16,592 | 31.7 (USD: NTD) | \$ 525,966 |
| JPY | 322,276 | 0.218 (JPY: NTD) | 70,288 |
| <u>Non-monetary items</u> | | | |
| Investments in associates and joint ventures using equity method | | | |
| CNY | 99,422 | 0.141 (CNY: USD) | 444,613 |
| VND | 31,239,544 | 0.0013 (VND: NTD) | 41,080 |
| <u>Foreign Currency Liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD | 1,246 | 31.8 (USD: NTD) | 39,623 |
| JPY | 193,098 | 0.222 (JPY:NTD) | 42,887 |

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 | 156,608 |
| <u>Non-monetary items</u> | | | |
| Investments in associates and joint ventures using 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 | 36,193 |

September 30, 2021

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|--|-------------------------------|----------------------|------------------------|
| <u>Foreign Currency Assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ 10,274 | 27.80 (USD: NTD) | \$ 285,617 |
| JPY | 242,719 | 0.247 (JPY:NTD) | 59,952 |
| <u>Non-monetary items</u> | | | |
| Investments in associates and joint ventures using equity method | | | |
| CNY | 85,873 | 0.154 (CNY: USD) | 368,759 |
| VND | 30,741,909 | 0.0012 (VND: NTD) | 37,044 |
| <u>Foreign Currency Liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD | 3,068 | 27.90 (USD: NTD) | 85,597 |

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

| Foreign Currencies | Three Months Ended September 30, 2022 | | Three Months Ended September 30, 2021 | |
|--------------------|--|--------------------------------|--|--------------------------------|
| | Exchange Rate | Net Foreign Exchange Losses | Exchange Rate | Net Foreign Exchange Losses |
| USD | 31.700 (USD: NTD) | \$ 5,412 | 27.800 (USD: NTD) | \$ 3,332 |
| JPY | 0.218 (JPY:NTD) | 4,823 | 0.247(JPY:NTD) | (809) |
| Foreign Currencies | Nine Months Ended September 30, 2022 | | Nine Months Ended September 30, 2021 | |
| | Exchange Rate | Net Foreign Exchange Losses | Exchange Rate | Net Foreign Exchange Losses |
| USD | 31.700 (USD: NTD) | \$ 22,980 | 27.800 (USD: NTD) | \$ 4,057 |
| JPY | 0.218 (JPY:NTD) | (1,154) | 0.247(JPY:NTD) | (809) |

33. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

- 1) Financing provided: 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) Trading in derivative instruments: See Table 7 attached;
- 10) Others: The business relationship between the parent and the subsidiaries and significant transactions between them: See Table 5 attached;

b. Information on investees: See Table 6 attached;

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area : See Table 7 attached;
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (None):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

34. OPERATING SEGMENTS 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: Mainly engaged in the manufacture, processing and trading of chemical cleaning and etching agents, etc. °
- Basic chemicals: Mainly engaged in the manufacture, processing and trading of food additives

a. Segment Revenue and Results

The following was an analysis of the Company's revenue and results from continuing operations by reportable segments:

| | Fine Chemicals | Basic Chemicals | Write off by Segment | Total |
|--|--------------------|---------------------|----------------------|--------------------|
| <u>For the nine months ended September 30, 2022</u> | | | | |
| Revenue of general customers | \$3,453,692 | \$ 963,687 | \$ - | \$4,417,379 |
| Revenue of segment | - | 55,760 | (55,760) | - |
| Total | <u>\$3,453,692</u> | <u>\$1,019,447</u> | <u>(\$ 55,760)</u> | <u>\$4,417,379</u> |
| Profit from operations | <u>\$ 871,646</u> | <u>(\$ 53,850)</u> | <u>\$ -</u> | \$ 817,796 |
| Other income | | | | 28,002 |
| Other gain and losses | | | | 69,443 |
| Financial cost | | | | (12,371) |
| Investments using equity method | | | | 60,198 |
| Interest income | | | | 3,882 |
| Income before income tax | | | | <u>\$ 966,950</u> |
| <u>For the nine months ended September 30, 2021</u> | | | | |
| Revenue of general customers | \$2,329,180 | \$ 810,968 | \$ - | \$3,140,148 |
| Revenue of segment | - | 43,830 | (43,830) | - |
| Total | <u>\$2,329,180</u> | <u>\$ 854,798</u> | <u>(\$ 43,830)</u> | <u>\$3,140,148</u> |
| Profit from operations | <u>\$ 420,056</u> | <u>(\$ 51,092)</u> | <u>\$ -</u> | \$ 368,964 |
| Other income | | | | 25,059 |
| Other profit and loss | | | | 15,006 |
| Financial cost | | | | (6,226) |
| Investments using equity method | | | | 49,490 |
| Interest income | | | | 852 |
| Bargain purchase gain- Acquiring a subsidiary | | | | 372 |
| Income before income tax | | | | <u>\$ 453,517</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, interest income, bargain purchase gain 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

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|---------------------------|-------------------------------|------------------------------|-------------------------------|
| <u>Segment assets</u> | | | |
| Continuing operations | | | |
| Fine chemicals | \$ 4,704,336 | \$ 4,430,791 | \$ 3,845,999 |
| Basic chemicals | 2,032,605 | 1,368,074 | 1,246,673 |
| Investment | 896,715 | 776,711 | 790,854 |
| Consolidated total assets | <u>\$ 7,633,656</u> | <u>\$ 6,575,576</u> | <u>\$ 5,883,526</u> |

San Fu Chemical Co., Ltd. and Subsidiaries

FINANCINGS PROVIDED

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 1

| No. (Note 1) | Financing Company | Counter- party | Financial Statement Account | Related Party | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn | Interest Rate (%) | Nature of Financing | Transaction Amounts | Reason for Financing | Allowance for Bad Debt | Collateral | | Financing Limits for Each Borrowing Company (Note 2) | Financing Company's Total Financing Amount Limits (Note 2) | Note |
|--------------------|---------------------------|--|-----------------------------------|------------------|--------------------------------------|-------------------|---|----------------------|----------------------------------|------------------------|-------------------------|------------------------------|------------|-------|---|--|----------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | San Fu Chemical Co., Ltd. | San Fu Biotech Co., Ltd. | Other receivables | Y | \$ 250,000 | \$ 250,000 | \$ - | - | Short-term financing is required | \$ - | Operating capital | \$ - | - | \$ - | \$ 450,955 | \$ 1,803,823 | (Note 3) |
| 0 | San Fu Chemical Co., Ltd. | International Nitto Technology Co., Ltd. | Other receivables | Y | 250,000 | 250,000 | - | - | Short-term financing is required | - | Operating capital | - | - | - | 450,955 | 1,803,823 | (Note 3) |
| 0 | San Fu Chemical Co., Ltd. | VinaSanFu Industrial Gas Company Limited | Other receivables | Y | 300,000 | 300,000 | 133,350 (USD 4,200,000) (Note 4) | 1%~ 1.25% | Short-term financing is required | - | Operating capital | - | - | - | 450,955 | 1,803,823 | (Note 3) |
| 0 | San Fu Chemical Co., Ltd. | VinaSanFu Material Company Limited | Other receivables | Y | 300,000 | 300,000 | 36,830 (USD 1,160,000) (Note 4)- | 1%~ 1.65% | Short-term financing is required | - | Operating capital | - | - | - | 450,955 | 1,803,823 | (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 40% 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: The amounts were calculated based on the foreign currency exchange rate dated September 30, 2022 (USD\$1 = NT\$ 31.75)

San Fu Chemical Co., Ltd. and Subsidiaries

ENDORSEMENTS/GURANTEES PROVIDED

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 2

| No. (Note 1) | Endorsement/ Guarantee Provider | Guaranteed Party | | Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount of Endorsement/ Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%) | Maximum Endorsement/ Guarantee Amount Allowable (Note 2) | Guarantee Provided by Parent Company | Guarantee Provided by A 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. | \$ 450,955 | \$ 250,000 | \$ 250,000 | \$180,000 | \$ - | 5.54% | \$ 1,803,823 | 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. | 450,955 | 300,000 | 300,000 | 190,500 | - | 6.65% | 1,803,823 | 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. | 450,955 | 300,000 | 300,000 | 190,500 | - | 6.65% | 1,803,823 | 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 NINE MONTHS ENDED SEPTEMBER 30, 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 3

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | September 30, 2022 | | | | Note |
|---------------------------|--|-------------------------------|---|----------------------------------|-----------------|-----------------------------|------------|--------|
| | | | | Shares/Units Note (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 | Note 2 |
| | Savior Lifetec Corporation | - | Financial assets at fair value through other comprehensive income | 1,429,177 | 25,439 | 0.45% | 25,439 | |
| | 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 | - | 60,698 | 2.40% | 60,698 | |

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 September 30, 2022.

San Fu Chemical Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$ 300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 4

| Company Nam | Marketable Securities Type and Name | Financial Statement Account | Trading Purpose | Relation-ship | Beginning Balance | | Acquisition | | Adjustment (Note 1) | Sale | | | | Ending | |
|---------------------------|--|---|-----------------------|---------------|-------------------|------------|--------------|------------|---------------------|--------------|---------------|----------------|-------------------------|--------------|------------|
| | | | | | Shares/Units | Amount | Shares/Units | Amount | | Shares/Units | Selling Price | Carrying costs | Gain (Loss) of Disposal | Shares/Units | Amount |
| San Fu Chemical Co., Ltd. | International Nitto Technology Co., Ltd. | Investments accounted for using equity method | Cash Capital Increase | Subsidiary | 40,000,000 | \$ 383,192 | 50,000,000 | \$ 500,000 | (\$ 26,176) | - | \$ - | \$ - | \$ - | 90,000,000 | \$ 857,016 |

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 NINE MONTHS ENDED SEPTEMBER 30, 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 5

| No. | Company Name | Counterparty | Nature of Relationship (Note 1) | Transaction Details | | | |
|-----|---------------------------|--------------------------|------------------------------------|------------------------------------|-----------|-----------------------------------|-------------------------------|
| | | | | Financial Statement Accounts | Amount | Payment Terms | % of Total Sales or Assets |
| 0 | San Fu Chemical Co., Ltd. | San Fu Biotech Co., Ltd. | 1 | Accounts receivable - parties, net | \$ 10,648 | due 90 days net from invoice date | 0.14% |
| | | | | Other receivables - parties, net | 4,805 | According to the contract | 0.06% |
| | | | | Sales revenue | 26,892 | due 90 days net from invoice date | 0.61% |
| | | | | Accounts payable - parties, net | 3,833 | due 90 days net from invoice date | 0.05% |
| | | | | Purchase | 14,135 | due 90 days net from invoice date | 0.32% |
| | | | | | | | |
| | | Lifu Carbonate Co., Ltd. | 1 | Purchase | 14,733 | due 90 days net from invoice date | 0.33% |

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 OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(Amounts 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 | | Balance as of September 30, 2022 | | | Net Income (Loss) of the Investee | Share of Profits/Losses of Investee | Note |
|--|--|-----------------|---|----------------------------|----------------------|----------------------------------|--------|----------------|--------------------------------------|---|-----------|
| | | | | September 30, 2022 | December 31, 2021 | Shares (In Thousands) | % | Carrying Value | | | |
| San Fu Chemical Co., Ltd. | San Fu Specialty Chemicals Investments Limited | Samoa | Investment activities | USD 2,351,000 | USD 2,351,000 | 2,350,840 | 100% | \$ 574,848 | \$ 53,490 | \$ 53,490 | Note 1 |
| | VinaSanFu Industrial Gas Company Limited | Vietnam | Engaged in industrial gas production | USD 13,650,000 | USD 13,650,000 | - | 100% | 362,359 | (25,864) | (25,864) | Note 1 |
| | VinaSanFu Material Company Limited | Vietnam | Engaged in the production of chemical materials | USD 12,200,000 | USD 12,200,000 | - | 100% | 327,620 | (15,595) | (15,595) | Note 1 |
| | San Fu Biotech Co., Ltd. | Taiwan | Engaged in the manufacture and sale of food additives | 210,000 | 210,000 | 21,500,000 | 93% | 269,933 | 20,092 | 18,782 | Note 1, 4 |
| | International Nitto Technology Co., Ltd | Taiwan | Engaged in electronic component manufacturing business | 977,904 | 477,904 | 90,000,000 | 100% | 857,016 | (26,176) | (26,176) | Note 1 |
| | Hongchong Enterprise Co., Ltd. | Taiwan | Liquid oxygen, oxygen, liquid nitrogen and other gas trading business | 10,527 | 10,527 | 1,200,000 | 50% | 13,445 | (467) | (233) | |
| | Lifu Carbonate Co., Ltd. | Taiwan | Engaged in carbon dioxide gas, carbonic acid fire extinguisher, dry ice manufacturing and its sales and marketing | 77,253 | 77,253 | 1,740 | 87% | 91,788 | (4,987) | (4,339) | Note 3 |
| | Shian Yun Joint Stock Company | Vietnam | Engaged in industrial gas production | USD 1,232,000 | USD 1,232,000 | 2,659,974 | 33.33% | 41,079 | 3,265 | 1,088 | |
| San Fu Specialty Chemicals Investments Limited | Sanfuming Electronic Material Co., Ltd. | Shanghai, China | Engaged in the operation of international trade business | USD 2,151,000 | USD 2,151,000 | - | 50% | 444,613 | 118,687 | 59,343 | |
| | Sino Star Holding Limited | Samoa | Investment activities | USD 1,868,000 | USD 1,868,000 | 1,867,838 | 100% | 61,798 | - | - | Note 1 |
| VinaSanFu Material Company Limited | VinaSanFu Materials Trading Co., Ltd. | Vietnam | Engaged in the production of chemical materials | USD 160,000 | - | - | 100% | 4,753 | - | - | Note 1, 5 |

Note 1: When the consolidated financial statements are prepared, they were all written off.

Note 2: Information of investments in Mainland China is included in Table 7.

Note 3: Lifu Carbonic Acid Co., Ltd. began to be included as an entity affiliated to the Company for preparing the consolidated financial report since the acquisition date, May 10, 2021.

Note 4: On December 20, 2021, the Company did not subscribe for the cash capital increase equity of Sanfu Biotech Co., Ltd. according to the shareholding ratio, resulting in a decrease in the shareholding ratio from 100% to 93.48%

Note 5: VinaSanFu Materials Trading Co., Ltd. began to be included as an entity affiliated to the Company for preparing the consolidated financial report since the acquisition starting March 2022.

San Fu Chemical Co., Ltd. and Subsidiaries

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 7

| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (Note 1) | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of September 30, 2022 (Note 1) | Net Income (Losses) of the Investee Company | Percentage of Ownership (%) | Investment Gain (Loss) (Note 3) | Carrying Amount as of September 30, 2022 (Note 1) | Accumulated Inward Remittance of Earnings as of September 20, 2022 |
|---|--|--|--|--|------------------|--------|---|---|-----------------------------|---------------------------------|---|--|
| | | | | | Outflow | Inflow | | | | | | |
| Sanfuming Electronic Material Co., Ltd. | Engaged in the operation of international trade business | \$ 285,750 (US\$ 9,000,000) (Notes 1 and 4) | Through the third company reinvest in China mainland companies | \$ 20,669 (US\$ 651,000) | \$- | \$- | \$ 20,669 (US\$ 651,000) | \$ 118,687 | 50 | \$ 59,343 | \$ 444,613 (US\$ 14,004,000) | \$ - |
| | | 1,158,820 (CNY 260,000,000) (Note 2) | Through the third company reinvest in China mainland companies | 59,246 (US\$ 1,866,000) | - | - | 59,246 (US\$ 1,866,000) | (Note 7) | 2.4 | - | 60,698 (US\$ 1,912,000) | - |

| Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2022 | Investment Amount Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|--|---|---|
| \$185,230 (US\$ 5,834,000) (Notes 5 and 6) | \$303,498 (US\$ 9,559,000) | \$2,725,263 |

Note 1: The exchange rate on September 30, 2022 was USD\$1=NT\$31.75

Note 2: The exchange rate on September 30, 2022 was RMB\$1=NT\$ 4.457

Note 3: The average exchange rate was based on the USD\$1=NT\$ 29.285 for nine months ended September 30, 2022.

Note 4: In April 2012, the company raised US\$ 651,000 of capital (all new shares were subscribed by Hubei Xingfu Electronic Materials Co., Ltd.). In October 2012, the Company converted US\$ 1,698,000 of retained earnings into capital stock. In April 2013, the Company increased its capital by US\$3,000,000, and in July 2018, the Company transferred US\$3,000,000 of retained earnings into capital.

Note 5: This includes accumulated outward remittance for investments in Keyron Top Chemical (Shanghai) Co., Ltd. (US\$ 2,017,000). The company was liquidated in August 2006.

Note 6: The investment in Shandong Fangda Jinke Additive Co., Ltd. was remitted from Taiwan (US\$1,300,000). The company was liquidated in January 2017.

Note 7: It refers to a financial asset measured at fair value through other comprehensive profit or loss

San Fu Chemical Co., Ltd. and Subsidiaries

INFORMATION OF MAJOR SHAREHOLDERS

SEPTEMBER 30, 2022

TABLE 8

| Shareholders | Shares | |
|-------------------------|--------------------|----------------------|
| | Total Shares Owned | Ownership Percentage |
| 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 capital stock 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.