

Stock Code : 4755

**SAN FU CHEMICAL CO., LTD.  
AND ITS SUBSIDIARIES**

**Consolidated Financial Statements**  
**for the Third Quarter (Q3) ended September 30, 2021 and 2020**  
**(With Independent Auditors' Review Report Thereon)**

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(English Translation)

### **III. INDEPENDENT AUDITORS' REVIEW REPORT**

**To the Board of Directors and Shareholders  
San Fu Chemical Co., Ltd.**

#### **Opinion**

We have reviewed the accompanying consolidated financial statements of San Fu Chemical Co., Ltd. (the Company) and its subsidiaries (collectively referred to as the "Consolidated Companies"), which comprises the consolidated balance sheets from July 1 to September 30, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows from January 1 to September 30, 2021 and 2020, and the 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 Financial Holding Companies 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 the Statement on Auditing Standards No 65 (SAS 65) "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the 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 for Opinion**

As stated in Note 11 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, 2021 and 2020 were amounted to NT\$ 1,716,961 thousand and NT\$ 1,001,978 thousand respectively, amounted to 29% and 22% of the Company's consolidated total assets. The total liabilities were amounted to NT\$ 222,793 thousand and NT\$ 150,011 thousand respectively, which amounted to 11% and 11% of the consolidated total liabilities respectively. The total consolidated profit and loss for the reporting periods July 1 - September 30, 2021 and 2020, and January 1 - September 30, 2021 and 2020 were amounted to NT\$ (4,217) thousand, (NT\$ 22,911) thousand, NT\$ 29,357 thousand and (NT\$ 31,311) thousand respectively, which amounted to 3%, 26%, 7% and 11% of the total consolidated comprehensive profit and loss, respectively. In addition, as stated in Note 12 of the consolidated financial statements, the investment balance as of September 30, 2021 and 2020 of San Fu Chemical Co., Ltd. and its subsidiaries recognized by the equity method of accounting were amounted to NT\$ 420,317 thousand and NT\$ 400,214 thousand respectively. The amount of consolidated profits and losses of affiliated companies and joint ventures recognized by the equity method of accounting for the periods July 1 - September 30, 2021 and 2020, and January 1 - September 30, 2021 and 2020 were amounted to NT\$ 21,156 thousand, NT\$ 4,946 thousand, NT\$ 42,860

thousand and NT\$ 3,321 thousand respectively, and the relevant information of the reinvestment business mentioned in the notes 12 and 31 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 31, if reviewed by an accountant, the consolidated financial statements may be adjusted, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated statement of financial position of San Fu Chemical Co., Ltd. and its subsidiaries as of September 30, 2021 and 2020, and of the consolidated financial performance for the period July 1 - September 30, 2021 and 2020, as well as the consolidated financial performance and cash flows for the period January 1 - September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and IAS 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

**Deloitte & Touche**  
Taipei, Taiwan  
Republic of China

Accountant **Xu Xiuming**

Securities & Futures Institute  
License number: Taicaizheng-6-0920123784

Accountant **Ong Yaling**

Financial Supervisory Commission  
License number: FSC-Review- 1020025513

Dated November 05, 2021

**SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES**

**IV. CONSOLIDATED BALANCE SHEETS**  
**AS OF SEPTEMBER 30, 2021, DECEMBER 31 AND SEPTEMBER 30, 2020**  
**(Expressed in thousands of New Taiwan Dollars)**

Code	ASSETS	2021.09.30 ( REVIEWED )		2020.12.31 ( AUDITED )		2020.09.30 ( REVIEWED )	
		Amount	%	Amount	%	Amount	%
	<b>CURRENT ASSETS</b>						
1100	Cash and cash equivalents ( Note 6 )	\$ 478,581	8	\$ 794,606	15	\$ 341,878	8
1136	Financial assets at amortized cost-current ( Note 8 )	233,540	4	233,792	4	23,140	-
1140	Contract asset - current ( Note 20 )	11,152	-	8,730	-	9,478	-
1150	Notes receivable, net ( Note 9 )	44,038	1	43,521	1	39,146	1
1170	Accounts receivable, net ( Note 9 )	1,047,960	18	1,050,565	20	974,344	21
1180	Receivable from related parties ( Note 28 )	5,358	-	9,590	-	4,533	-
130X	Inventories ( Note 10 )	556,988	9	393,477	7	456,399	10
1410	Prepayments	360,112	6	87,893	2	47,863	1
1470	Other current assets	91,429	2	25,846	-	23,521	1
11XX	Total current assets	<u>2,829,158</u>	<u>48</u>	<u>2,648,020</u>	<u>49</u>	<u>1,920,302</u>	<u>42</u>
	<b>NON-CURRENT ASSETS</b>						
1517	Financial asset at fair value through other comprehensive income - non-current ( Note 7 )	136,997	2	157,471	3	156,349	4
1550	Investments accounted for using the equity method ( Note 12 )	420,317	7	405,083	8	400,214	9
1560	Contract asset - non-current ( Note 20 )	16	-	5,941	-	7,773	-
1600	Property, plant and equipment ( Note 13 )	2,207,516	38	1,776,610	33	1,686,357	37
1755	Right-of-use asset ( Note 14 )	144,376	3	141,430	3	149,033	3
1840	Deferred tax assets ( Note 22 )	22,344	-	26,916	-	28,940	1
1915	Prepayments for equipment	118,374	2	218,384	4	174,873	4
1920	Refundable deposits	4,428	-	4,569	-	4,614	-
15XX	Total non-current assets	<u>3,054,368</u>	<u>52</u>	<u>2,736,404</u>	<u>51</u>	<u>2,608,153</u>	<u>58</u>
<b>1XXX</b>	<b>TOTAL</b>	<u>\$ 5,883,526</u>	<u>100</u>	<u>\$ 5,384,424</u>	<u>100</u>	<u>\$ 4,528,455</u>	<u>100</u>
	<b>LIABILITIES AND EQUITY</b>						
	<b>CURRENT LIABILITIES</b>						
2100	Short-term borrowings ( Note 15 )	\$ 906,000	15	\$ 590,000	11	\$ 530,000	12
2130	Contract liabilities - current ( Note 20 )	174,593	3	156,922	3	11,283	-
2170	Notes and accounts payable ( Note 16 )	302,671	5	250,795	5	223,322	5
2180	Accounts payable - related parties ( Note 28 )	4,400	-	2,047	-	3,662	-
2200	Other payables ( Note 17 )	225,793	4	185,114	4	197,118	4
2230	Current tax liabilities ( Note 22 )	32,645	1	64,497	1	41,814	1
2280	Lease liabilities-current ( Notes 14 and 28 )	24,042	-	19,611	-	21,742	1
2320	Long-term liabilities due within one year or one business cycle ( Note 15 )	90,572	2	38,072	1	19,856	-
2399	Other current liabilities	2,106	-	3,391	-	2,321	-
21XX	Total current liabilities	<u>1,762,822</u>	<u>30</u>	<u>1,310,449</u>	<u>25</u>	<u>1,051,118</u>	<u>23</u>
	<b>NON-CURRENT LIABILITIES</b>						
2540	Long-term borrowings ( Note 15 )	126,572	2	194,501	4	177,144	4
2570	Deferred tax liabilities ( Note 22 )	8,474	-	108	-	53	-
2580	Lease liabilities-non-current ( Notes 14 and 28 )	54,447	1	59,806	1	63,640	1
2640	Net defined benefit liabilities - non-current ( Note 18 )	23,737	1	24,538	-	24,175	1
2670	Other non-current liabilities	2,578	-	2,363	-	2,488	-
25XX	Total non-current liabilities	<u>215,808</u>	<u>4</u>	<u>281,316</u>	<u>5</u>	<u>267,500</u>	<u>6</u>
2XXX	Total liabilities	<u>1,978,630</u>	<u>34</u>	<u>1,591,765</u>	<u>30</u>	<u>1,318,618</u>	<u>29</u>
	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY ( Note 19 )</b>						
	Share capital						
3110	Ordinary shares	1,007,060	17	1,007,060	19	907,060	20
3200	Capital surplus	961,609	16	1,056,191	19	650,160	14
	Retained earnings						
3310	Legal reserve	291,281	5	250,297	5	250,297	6
3320	Special reserve	103,348	2	56,293	1	56,293	1
3350	Unappropriated earnings	1,608,658	27	1,526,166	28	1,433,218	32
3300	Total retained earnings	<u>2,003,287</u>	<u>34</u>	<u>1,832,756</u>	<u>34</u>	<u>1,739,808</u>	<u>39</u>

(to be continued to the next page)

Code	ASSETS	2021.09.30 ( REVIEWED )		2020.12.31 ( AUDITED )		2020.09.30 ( REVIEWED )	
		Amount	%	Amount	%	Amount	%
	Other equity						
3410	Exchange differences on translating foreign operations	( 87,005 )	( 1 )	( 127,821 )	( 2 )	( 109,357 )	( 2 )
3420	Unrealized evaluation gains and losses of the Equity instrument investment benefit measured at fair value through other comprehensive gains and losses	5,204	-	24,473	-	22,166	-
3400	Total other equity	( 81,801 )	( 1 )	( 103,348 )	( 2 )	( 87,191 )	( 2 )
31XX	Total Equity of the Business Owner	3,890,155	66	3,792,659	70	3,209,837	71
36XX	Non-controlling interests (Minority Interests) ( Note 19 )	14,741	-	-	-	-	-
3XXX	Total equity	3,904,896	66	3,792,659	70	3,209,837	71
	<b>TOTAL</b>	<u>\$ 5,883,526</u>	<u>100</u>	<u>\$ 5,384,424</u>	<u>100</u>	<u>\$ 4,528,455</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 05, 2021 )

Chairman: WU, Hsin-Hung

Manager: TSAI, Chieh-Rong

Accounting Supervisor: HSIEH, Ming-Chih

## SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

### V. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

**For the periods July 1 – Sep. 30, 2021 and 2020, and Jan. 1 – Sep. 30, 2021 and 2020**

(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)

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

Code		2021.07.01~09.30		2020.07.01~09.30		2021.01.01~09.30		2020.01.01. ~09.30	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	OPERATING REVENUE (Notes 20 and 28)	\$ 1,180,157	100	\$ 1,064,095	100	\$ 3,140,148	100	\$ 2,904,979	100
5000	OPERATING COST (Notes 10, 21, 28)	<u>900,914</u>	<u>76</u>	<u>805,793</u>	<u>76</u>	<u>2,451,549</u>	<u>78</u>	<u>2,256,139</u>	<u>78</u>
5900	GROSS PROFIT	<u>279,243</u>	<u>24</u>	<u>258,302</u>	<u>24</u>	<u>688,599</u>	<u>22</u>	<u>648,840</u>	<u>22</u>
	OPERATING EXPENSES (Notes 21 and 28)								
6100	Selling and marketing expenses	61,714	5	56,597	5	175,136	5	159,749	5
6200	General and administrative expenses	42,691	4	42,849	4	114,756	4	108,143	4
6300	Research & Development Expenses	<u>9,395</u>	<u>1</u>	<u>12,488</u>	<u>1</u>	<u>29,743</u>	<u>1</u>	<u>27,093</u>	<u>1</u>
6000	Total operating expenses	<u>113,800</u>	<u>10</u>	<u>111,934</u>	<u>10</u>	<u>319,635</u>	<u>10</u>	<u>294,985</u>	<u>10</u>
6900	PROFIT FROM OPERATIONS	<u>165,443</u>	<u>14</u>	<u>146,368</u>	<u>14</u>	<u>368,964</u>	<u>12</u>	<u>353,855</u>	<u>12</u>
	NON-OPERATING INCOME AND EXPENSES								
7010	Other income (Note 21)	7,448	-	10,593	1	25,059	1	31,454	1
7020	Other gains and losses (Note 21)	110	-	( 4,889)	( 1)	15,006	-	( 5,263)	-
7050	Financial Cost (Note 21)	( 2,502)	-	( 1,878)	-	( 6,226)	-	( 4,865)	-
7060	Share of profit or loss of affiliated companies and joint ventures Recognized by Equity Method (Note 12)	22,715	2	576	-	49,490	2	6,275	-
7100	Interest income	228	-	285	-	852	-	883	-
7140	Bargain purchase gain-acquiring a subsidiary (Note 24)	-	-	-	-	372	-	-	-
7000	Total non-operating income and expenses	<u>27,999</u>	<u>2</u>	<u>4,687</u>	<u>-</u>	<u>84,553</u>	<u>3</u>	<u>28,484</u>	<u>1</u>
7900	PROFIT BEFORE INCOME TAX	193,442	16	151,055	14	453,517	15	382,339	13
7950	INCOME TAX EXPENSE (Note 22)	( <u>37,523</u> )	( <u>3</u> )	( <u>30,368</u> )	( <u>3</u> )	( <u>82,041</u> )	( <u>3</u> )	( <u>77,560</u> )	( <u>3</u> )
8200	NET PROFIT FOR Q3 2021 & 2020	<u>155,919</u>	<u>13</u>	<u>120,687</u>	<u>11</u>	<u>371,476</u>	<u>12</u>	<u>304,779</u>	<u>10</u>
	ITEMS THAT WILL NOT BE RECLASSIFIEDED SUBSEQUENTLY TO PROFIT OR LOSS:								
8316	Unrealized loss on financial assets at fair value through other comprehensive income	( 8,888)	( 1)	( 11,806)	( 1)	( 19,269)	-	8,529	-
8349	Income tax related to items that are not reclassified	-	-	-	-	-	-	1,279	-
8310		( <u>8,888</u> )	( <u>1</u> )	( <u>11,806</u> )	( <u>1</u> )	( <u>19,269</u> )	-	<u>9,808</u>	-

Code		2021.07.01~09.30		2020.07.01~09.30		2021.01.01~09.30		2020.01.01. ~09.30	
		Amount	%	Amount	%	Amount	%	Amount	%
	Items that may be reclassified to profit and loss in the future								
8370	Share of the other comprehensive loss of affiliated companies and joint ventures using the equity method	( 1,559 )	-	4,370	-	( 6,630 )	-	( 2,954 )	-
8361	Exchange differences on translating the financial statements of foreign operations	5,877	1	( 25,618 )	( 2 )	47,446	1	( 37,752 )	( 1 )
8360	Items that may be reclassified subsequently to profit or loss	4,318	1	( 21,248 )	( 2 )	40,816	1	( 40,706 )	( 1 )
8300	Other comprehensive loss for the year, net of income tax	( 4,570 )	-	( 33,054 )	( 3 )	21,547	1	( 30,898 )	( 1 )
8500	TOTAL COMPREHENSIVE INCOME FOR THIS PERIOD	<u>\$ 151,349</u>	<u>13</u>	<u>\$ 87,633</u>	<u>8</u>	<u>\$ 393,023</u>	<u>13</u>	<u>\$ 273,881</u>	<u>9</u>
	NET PROFIT ATTRIBUTABLE TO:								
	Owners of the Company	\$ 156,215	13	\$ 120,687	11	\$ 371,943	12	\$ 304,779	10
8610									
8620	Non-controlling interests	( 296 )	-	-	-	( 467 )	-	-	-
8600		<u>\$ 155,919</u>	<u>13</u>	<u>\$ 120,687</u>	<u>11</u>	<u>\$ 371,476</u>	<u>12</u>	<u>\$ 304,779</u>	<u>10</u>
	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
	Owners of the Company	\$ 151,645	13	\$ 87,633	8	\$ 393,490	13	\$ 273,881	9
8710									
8720	Non-controlling interests	( 296 )	-	-	-	( 467 )	-	-	-
8700		<u>\$ 151,349</u>	<u>13</u>	<u>\$ 87,633</u>	<u>8</u>	<u>\$ 393,023</u>	<u>13</u>	<u>\$ 273,881</u>	<u>9</u>
	EARNINGS PER SHARE ( Note 23 )								
9750	Basic	<u>\$ 1.55</u>		<u>\$ 1.33</u>		<u>\$ 3.69</u>		<u>\$ 3.36</u>	
9850	Diluted	<u>\$ 1.55</u>		<u>\$ 1.33</u>		<u>\$ 3.69</u>		<u>\$ 3.36</u>	

The accompanying notes are an integral part of the consolidated financial statements.  
( Refer to Audit Report of Deloitte & Touche on November 05, 2021 )

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

**SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES**

**VI. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED SEPTEMBER 30, 2021 AND 2020**

(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)

(Expressed in thousands of New Taiwan Dollars)

Code	Description	Equity attributable to the Owners of the Company								Sub-Total	Non-controlling interests (Note 19)	Total Equity
		Share Capital (Note 20)		Capital Surplus (Note 19)	Retained Earnings (Note 19)			Exchange Differences on Translating Foreign Operations	Other equity Unrealized gains (losses) on financial assets at fair value through other comprehensive income			
		Number of Shares Authorized (In Thousands)	Capital Amount		Legal Reserve	Special Reserve	Unappropriated Earnings					
A1	BALANCE AT JANURAY 1, 2020	90,706	\$ 907,060	\$670,626	\$217,850	\$ 6,442	\$1,410,290	(\$ 68,651)	\$ 12,358	\$3,155,975	\$ -	\$3,155,975
	Other Changes in Capital Surplus											
C3	Donations from Shareholders	-	-	6,746	-	-	-	-	-	6,746	-	6,746
D1	NET PROFIT FOR Q3/ 2020 (2020.1.1~2020.09.30)	-	-	-	-	-	304,779	-	-	304,779	-	304,779
D3	Other Comprehensive Profit & Loss After Tax for Q3/2020 (2020.1.1~2020.09.30)	-	-	-	-	-	-	( 40,706 )	9,808	( 30,898 )	-	( 30,898 )
D5	Total Comprehensive Income for Q3/2020 (2020.1.1 ~2020.09.30)	-	-	-	-	-	304,779	( 40,706 )	9,808	273,881	-	273,881
	Distribution of Available Earnings for 2019											
B1	Recognized Legal Reserve for 2019	-	-	-	32,447	-	(32,447)	-	-	-	-	-
B3	Recognized Special Reserve for 2019	-	-	-	-	49,851	(49,851)	-	-	-	-	-
B5	Cash Dividend Distributed to Shareholders	-	-	(27,212)	-	-	(199,553)	-	-	(226,765)	-	(226,765)
Z1	BALANCE AT SEPTEMBER 30, 2020	90,706	\$ 907,060	\$ 650,160	\$ 250,297	\$ 56,293	\$ 1,433,218	(\$ 109,357)	\$ 22,166	\$ 3,209,837	\$ -	\$ 3,209,837
A1	BALANCE AT JANUARY 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 Q3/2021 (2021.1.1 ~ 2021.09.30)	-	-	=	-	=	371,943	-	-	371,943	( 467 )	371,476
D3	Other Consolidated Profit & Loss After Tax For Q3/2021 (2021.1.1 ~ 2021.09.30)	-	-	-	-	-	-	40,816	( 19,269 )	21,547	-	21,547
D5	Total Comprehensive Income for Q3/2021 (2021.1.1. ~ 2021.09.30)	-	-	-	-	-	371,943	40,816	( 19,269 )	393,490	(467)	393,023
	Distribution of Available Earnings for 2020											
B1	Recognized Legal Reserve for 2020	-	-	-	40,984	-	( 40,984 )	-	-	-	-	-
B3	Recognized Special Reserve for 2020	-	-	-	-	47,055	( 47,055 )	-	-	-	-	-
B5	Cash Dividend Distributed to Shareholders	-	-	( 100,706 )	-	-	( 201,412 )	-	-	(302,118)	-	(302,118)
O1	BALANCE AT SEPTEMBER 30, 2020	-	-	-	-	-	-	-	-	-	15,208	15,208
Z1	BALANCE AT 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

The accompanying notes are an integral part of the consolidated financial statements.  
( Refer to Audit Report of Deloitte & Touche on November 05, 2021 )

Chairman: WU, Hsin-Hung

Manager: TSAI, Chieh-Rong

Accounting Supervisor: HSIEH, Ming-Chih

## SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

### VII. CONSOLIDATED STATEMENTS OF CASH FLOWS

#### FOR THE PERIODS JANUARY 1 - SEPTEMBER 30, 2021 AND 2020

(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards )

(Expressed in thousands of New Taiwan Dollars)

C o d e	2021.01.01.-09.30	2020.01.01.-09.30	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
A10000	Net income before income tax	\$ 453,517	\$ 382,339
A20010	Adjustments for:		
A20100	Depreciation expenses	209,366	195,842
A20900	Finance costs	6,226	4,865
A21200	Interest income	( 852 )	( 883 )
A21300	Investment Income - Dividend	( 1,413 )	( 1,092 )
A22300	Share of profit of affiliated companies and joint ventures	( 49,490 )	( 6,275 )
A22500	Loss from disposal of property, plant and equipment	( 273 )	40
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	( 203 )	4,556
A24100	Unrealized foreign currency exchange (gain) loss	( 3,248 )	( 3,004 )
A29900	Bargain purchase Gain	( 372 )	-
A29900	Lease modification benefits	( 6 )	-
A30000	Change in operating assets and liabilities		
A31130	Notes receivable	( 517 )	( 317 )
A31150	Accounts receivable	6,660	( 46,434 )
A31160	Accounts receivable – related parties	4,284	15,521
A31125	Contract asset - current	( 2,422 )	( 2,856 )
A31200	Inventories	( 162,824 )	( 6,522 )
A31230	Prepayments	( 271,348 )	897
A31240	Other current assets	( 63,026 )	16,188
A31260	Contract asset – non-current	5,925	6,844
A32125	Contract liability	17,671	1,028
A32150	Notes and accounts payable	47,296	8,072
A32160	Accounts payable - related parties	2,353	( 1,081 )
A32180	Other payables	27,911	34,213
A32230	Other current liabilities	( 4,404 )	( 1,434 )
A32240	Net defined benefit liabilities - non-current	( 801 )	( 13,739 )
A32990	Other non-current liabilities	215	( 372 )
A33000	Cash generated from operations	197,004	586,396
A33100	Interest received	\$ 852	\$ 883
A33200	Dividend received	-	13,711
A33300	Interest paid	( 6,183 )	( 4,987 )

( to be continued on next page )

(Continued from the previous page)

<u>C o d e</u>	<u>2021.01.01.-09.30</u>	<u>2020.01.01.-09.30</u>	
A33500	Income tax paid	( 109,429 )	( 43,480 )
AAAA	Net cash generated from operating activities	<u>82,244</u>	<u>552,523</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
B00010	Purchase of financial assets at fair value through other comprehensive income	-	( 30,465 )
B00040	Purchase of financial assets at amortized cost	-	( 17,327 )
B02200	Net cash outflow acquired from the subsidiaries	( 56,777 )	-
B02700	Payments for property, plant and equipment	( 415,582 )	( 232,164 )
B02800	Gain on Disposal of property, plant and equipment	543	472
B03700	Increase or Loss in refundable deposits	158	( 1,654 )
B07100	Increase in prepayments for equipment	63,388	( 122,623 )
B07600	Dividend received	<u>23,262</u>	-
BBBB	Net cash used in investing activities	( <u>385,008</u> )	( <u>403,761</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
C00100	Increase in short-term borrowings	316,000	43,000
C01600	Long-term borrowings	-	200,000
C01700	Repayment of long-term borrowings	( 15,429 )	( 3,000 )
C04020	Repayment of the principal portion of lease liabilities	( 18,126 )	( 18,367 )
C04500	Payment – Owners’ Dividend	( 302,118 )	( 226,765 )
C09900	Cash outflow from financing activities by affiliated companies held for sale	<u>6,124</u>	<u>6,746</u>
CCCC	NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	( <u>13,549</u> )	<u>1,614</u>
DDDD	EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>288</u>	( <u>24,317</u> )
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	( 316,025 )	126,059
E00100	CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>794,606</u>	<u>208,399</u>
E00200	CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>\$ 478,581</u>	<u>\$ 334,458</u>
<b><u>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD ADJUSTED:</u></b>			
<u>C o d e</u>	<u>2021.01.01.-09.30</u>	<u>2020.01.01.-09.30</u>	
E00210	Cash and cash equivalents of financial statements	\$ 478,581	\$ 341,878
E00240	Cash and cash equivalents included in non-current assets held for sale	-	( <u>7,420</u> )
E00200	Cash and cash equivalents at end of the period	<u>\$ 478,581</u>	<u>\$ 334,458</u>

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

( Refer to Audit Report of Deloitte & Touche on November 05, 2021 )

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

# SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

## VIII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE PERIODS JANUARY 1 - SEPTEMBER 30, 2021 AND 2020

(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)

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

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#### 1. GENERAL INFORMATION

San Fu Chemical Co., Ltd. (the “Company”) was incorporated in Taiwan (Republic of China) on March 17, 2003. The Company 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 company and its subsidiaries as described in Note 11 (collectively referred to as the “Consolidated Companies”). The Company is mainly engaged in the production and sale of industrial gases, chemical materials and food additives.

The Company’s shares started to be traded on the Taiwan Stock Exchange (“TWSE”) on November 27, 2013. The consolidated financial statements are presented in the New Taiwan dollars.

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s Board of Directors on November 05, 2021.

#### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

The initial application of the amended “Interest Rate Benchmark Reform - Phase 2” (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) and the Amendment to the IFRS 16 “Covid-19-Related Rent Concessions after September 30, 2021” endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

b. The International Financial Reporting Standards (IFRS) recognized by FSC applicable in 2022

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

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

2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

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

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

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

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

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

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2022 (Note 4)

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

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

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

As of the date the consolidation financial statements were authorized for issue, the Consolidated Companies are continuously assessing the possible impact that the application of other standards and interpretations will have on the Consolidated Companies’ 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**

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34 Interim Financial Reporting approved and issued by the Financial Supervisory Commission (FSC). This consolidated financial report does not include all IFRSs disclosure information required by the entire annual financial report.

##### **b. Basis of Preparation**

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

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

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

##### **c. Basis of Consolidation**

For details of subsidiaries, shareholding ratios and scope of business, please refer to Note 11 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 2020.

- 1) **The defined Contribution Retirement Benefit Plans**  
The pension cost during the interim period is calculated based on the pension cost rate determined by actuarial calculations on the end of the previous year, and calculated based on the beginning of the year to the end of the current period, 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 income tax in the interim period is assessed on an annual basis, and is calculated based on the interim pre-tax benefits based on the tax rate applicable to the expected annual total surplus.

## 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 2020.

## 6. CASH AND CASH EQUIVALENTS

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
Cash on hand and petty cash	\$ 413	\$ 370	\$ 368
Demand deposits	478,168	524,236	341,510
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	-	270,000	-
	<u>\$ 478,581</u>	<u>\$ 794,606</u>	<u>\$ 341,878</u>

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

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
Demand deposits	0.001%~0.05%	0.001%~0.3%	0.001%~0.05%
Time deposits	-	0.06%	-

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

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
Domestic investments			
Listed shares	\$ 27,751	\$ 47,020	\$ 44,713
Unlisted shares	6,698	6,698	6,698
Subtotal	<u>34,449</u>	<u>53,718</u>	<u>51,411</u>
Foreign investments			
Unlisted shares	102,548	103,753	104,938
	<u>\$ 136,997</u>	<u>\$ 157,471</u>	<u>\$ 156,349</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 elected 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 Consolidated Companies’ 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.

## 8. FINANCIAL ASSETS AT AMORTITIZED COST

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
<u>Current</u>			
Time deposits with original maturities of more than 3 months	\$ 11,140	\$ 11,392	\$ 11,640
Restricted demand deposits	222,400	222,400	11,500
	<u>\$ 233,540</u>	<u>\$ 233,792</u>	<u>\$ 23,140</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.06%~0.41%, 0.06%~0.7% and 0.3%~0.7% per annum as of 2021.09.30, 2020.12.31 and 2020.09.30, respectively.

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

## 9. NOTES AND ACCOUNTS RECEIVABLE

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
<u>Notes receivable</u>			
Notes receivable - operating	\$ <u>44,038</u>	\$ <u>43,521</u>	\$ <u>39,146</u>
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	\$ 1,048,531	\$ 1,051,136	\$ 974,915
Less: Allowance for impairment loss	( <u>571</u> )	( <u>571</u> )	( <u>571</u> )
	<u>\$ 1,047,960</u>	<u>\$ 1,050,565</u>	<u>\$ 974,344</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 Consolidated Companies 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 Consolidated Companies 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 Consolidated Companies' credit risk was significantly reduced.

The Consolidated Companies 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 Consolidated Companies 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 Consolidated Companies continue to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The aging of accounts receivable was as follows:

### 2021.09.30

	<u>Not Past</u>	<u>1~90</u>	<u>91~180</u>	<u>181~365</u>	<u>Over 365</u>	<u>Total</u>
	<u>Due</u>	<u>Days</u>	<u>Days</u>	<u>Days</u>	<u>Days</u>	
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>

**2020.12.31**

	<b>Not Past Due</b>	<b>1~90 Days</b>	<b>91~180 Days</b>	<b>181~365 Days</b>	<b>Over 365 Days</b>	<b>Total</b>
ECLs Rate	-	-	-	50%	100%	-
Gross Carrying Amount	\$1,048,944	\$ 1,621	\$ -	\$ -	\$ 571	\$1,051,136
Loss allowance (Lifetime ECL)	-	-	-	-	(571)	(571)
Amortized cost	<u>\$1,048,944</u>	<u>\$ 1,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,050,565</u>

**2020.09.30**

	<b>Not Past Due</b>	<b>1~90 Days</b>	<b>91~180 Days</b>	<b>181~365 Days</b>	<b>Over 365 Days</b>	<b>Total</b>
ECLs Rate	-	-	-	50%	100%	-
Gross Carrying Amount	\$ 971,394	\$ 2,950	\$ -	\$ -	\$ 571	\$ 974,915
Loss allowance (Lifetime ECL)	-	-	-	-	(571)	(571)
Amortized cost	<u>\$ 971,394</u>	<u>\$ 2,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 974,344</u>

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

**For the nine-month period from January 1 to  
September 30**

	<b>2021</b>	<b>2020</b>
Balance at January 1 and September 30	<u>\$ 571</u>	<u>\$ 571</u>

**10. INVENTORIES**

	<b>2021.09.30</b>	<b>2020.12.31</b>	<b>2020.09.30</b>
Merchandise	\$ 17,036	\$ 6,393	\$ 13,134
Finished goods	139,784	126,398	152,172
Work in progress	15,900	11,261	11,916
Semi-finished goods	3,257	1,883	2,575
Raw materials	348,595	226,800	254,278
Supplies	<u>32,416</u>	<u>20,742</u>	<u>22,324</u>
	<u>\$ 556,988</u>	<u>\$ 393,477</u>	<u>\$ 456,399</u>

The cost of inventories recognized as cost of goods sold (including construction cost) for the periods from July 1 to September 30, 2021 and 2020, and from January 1 to September 30, 2021 and 2020 was NT\$ 900,914 thousand and NT\$ 805,793 thousand, and NT\$ 2,451,549 thousand and NT\$ 2,256,139 respectively.

The cost of goods sold including the allowance for inventory valuation and obsolescence loss (gain from price recovery of inventory) for the periods from July 1 to September 30, 2021 and 2020, and from January 1, to September 30, 2021 and 2020 were as NT\$ 0 thousand and NT\$ 1,368 thousand, and (NT\$ 203) thousand and NT\$ 4,556 thousand respectively. The gain from price recovery of inventory is resulted from the increase of the selling price of inventory.

## 11. 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
			2021.09.30	2020.12.31	2020.09.30	
San Fu Chemical Co., Ltd.	San Fu Specialty Chemicals Investments Limited	Investment	100%	100%	100%	Note 1
	San Fu Food Additives Investments Limited	Investment	-	100%	100%	Note 1 Note 2
	VinaSanFu Industrial Gas Company Limited	Production of industrial gases	100%	100%	100%	Note 1
	VinaSanFu Material Company Limited	Production of chemical materials	100%	100%	100%	Note 1
	San Fu Biotech Co., Ltd.	Sales and production of food additives	100%	100%	100%	Note 1
	International Nitto Technology Co., Ltd.	Sales and production of electronic components	100%	100%	100%	Note 1
	Lifu Carbonate Co., Ltd.	Production of chemical materials	87%	25%	25%	Note 1 Note 3
San Fu Specialty Chemicals Investments Limited	Sino Star Holding Limited	Investment	100%	100%	100%	Note 1

Note 1: Only the financial statements of non-significant subsidiaries have not yet been reviewed by an accountant.

Note 2: The company “San Fu Food Additives Investments Limited” was liquidated and dissolved in May 2021.

Note 3: 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 consolidated 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.

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 month period ended September 30, 2021 and 2020 was NT\$ 1,716,961 thousand and NT\$ 1,001,978 thousand, respectively, amounted to 29% and 22% of the total consolidated assets, respectively. The total liabilities were NT\$ 222,793 thousand and NT\$ 150,011 thousand, respectively, which amounted to 11% and 11% of the consolidated total liabilities, respectively. For the periods from July 1 to September 30, 2021 and 2020, and from January 1, to September 30, 2021 and 2020, the total recognized comprehensive profit and loss was (NT\$ 4,217) thousand and (NT\$ 22,911) thousand, and NT\$ 29,357 thousand and (NT\$ 31,311) thousand respectively, which amounted to 3%, 26%, 7% and 11% of the total consolidated comprehensive profit and loss, respectively.

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
Investments in affiliated companies	\$ 51,558	\$ 58,949	\$ 60,584
Investments in joint ventures	<u>368,759</u>	<u>346,134</u>	<u>339,630</u>
	<u>\$ 420,317</u>	<u>\$ 405,083</u>	<u>\$ 400,214</u>

The amount of total consolidated comprehensive income for the investments in affiliated companies and joint ventures recognized for the periods from July 1 to September 30, 2021 and 2020, and from January 1, to September 30, 2021 and 2020 were NT\$ 21,156 thousand and NT\$ 4,946 thousand, and NT\$ 42,860 thousand and NT\$ 3,321 thousand, respectively.

The Consolidated Companies' management 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 affiliated companies

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
Affiliated companies that are not individually material	<u>\$ 50,947</u>	<u>\$ 58,949</u>	<u>\$ 60,584</u>

### b. Investments in joint ventures

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
Material joint ventures			
Sanfuming Electronic Material Co., Ltd.	<u>\$ 368,759</u>	<u>\$ 346,134</u>	<u>\$ 339,630</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 - "Intercompany Relationships and Significant Intercompany Transactions", Table 6 - "Information on Investees" and Table 7 - "Information on Investments in Mainland China".

## 13. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Transportation</u>	<u>Other Equipment</u>	<u>Property under Construction</u>	<u>Total</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 )
Acquisition due to Merger	98,993	697	8,195	6	4,535	-	112,426
Effect of foreign currency exchange differences	-	-	7	-	-	40,681	40,688
Carrying amounts at September 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 )
Effect of foreign currency exchange differences	-	-	1	-	-	-	1
Carrying amounts at 2021.09.30	<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 amounts at 2021.09.30	<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>
Carrying new amounts at 2020.12.31 and 2021.1.1.	<u>\$ 63,707</u>	<u>\$661,105</u>	<u>\$549,526</u>	<u>\$ 62,345</u>	<u>\$107,828</u>	<u>\$332,099</u>	<u>\$1,776,610</u>

<u>Cost</u>							
Balance at January 1, 2020	\$ 63,707	\$ 894,469	\$ 1,968,749	\$ 348,431	\$ 318,465	\$ 79,832	\$ 3,673,653
Reclassifications	-	9,423	40,968	-	7,620	7,834	65,845
Additions	-	6,857	27,434	2,211	21,501	143,807	201,810
Disposals	-	-	( 72,844)	( 2,293)	( 7,968)	-	( 83,105)
Effect of foreign currency exchange differences	-	155,451	5,745	-	321	-	161,517
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 4,042)</u>	<u>( 4,042)</u>
Balance at Sep. 30, 2020	<u>\$ 63,707</u>	<u>\$ 1,066,200</u>	<u>\$ 1,970,052</u>	<u>\$ 348,349</u>	<u>\$ 339,939</u>	<u>\$ 227,431</u>	<u>\$ 4,015,678</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 345,218	\$ 1,371,162	\$ 267,430	\$ 242,863	\$ -	\$ 2,226,673
Depreciation expenses	-	42,011	96,179	15,776	21,876	-	175,842
Disposals	-	-	( 72,844)	( 1,854)	( 7,895)	-	( 82,593)
Effect of foreign currency exchange differences	-	7,174	2,106	-	119	-	9,399
Balance at 2020.09.30	<u>\$ -</u>	<u>\$ 394,403</u>	<u>\$ 1,396,603</u>	<u>\$ 281,352</u>	<u>\$ 256,963</u>	<u>\$ -</u>	<u>\$ 2,329,321</u>
Carrying net amounts at 2020.09.30	<u>\$ 63,707</u>	<u>\$ 671,797</u>	<u>\$ 573,449</u>	<u>\$ 66,997</u>	<u>\$ 82,976</u>	<u>\$ 227,431</u>	<u>\$ 1,686,357</u>

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

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

Property, plant and equipment pledged as collateral for bank borrowings are described in Note 29.

#### 14. LEASE ARRANGEMENTS

##### a. Right-of-use Assets

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
<u>Carrying amounts</u>			
Land	\$ 127,730	\$ 130,851	\$ 136,197
Buildings	8,146	2,101	3,552
Transportation equipment	8,500	8,478	9,284
	<u>\$ 144,376</u>	<u>\$ 141,430</u>	<u>\$ 149,033</u>
	<u>2021.7.1-9.30</u>	<u>2020.7.1-9.30</u>	<u>2021.1.1-9.30</u>
Additions to right-of-use assets			<u>\$ 19,697</u>
Depreciation charge for right-of-use assets			<u>\$ 12,029</u>
Land	\$ 4,233	\$ 7,733	\$ 12,633
Buildings	1,458	1,452	4,362
Transportation equipment	999	959	2,582
	<u>\$ 6,690</u>	<u>\$ 10,144</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 Consolidated Companies from January 1 to September 30, 2021 and 2020.

##### b. Lease Liabilities

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
Carrying Amounts			
Current	\$ 24,042	\$ 19,611	\$ 21,742
Non-current	<u>54,447</u>	<u>59,806</u>	<u>63,640</u>
	<u>\$ 78,489</u>	<u>\$ 79,417</u>	<u>\$ 85,382</u>

Range of discount rate for lease liabilities was as follows:

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
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. Other Lease Information

	<u>2021.7.1-9.30</u>	<u>2020.7.1-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
Expenses relating to short-term leases	<u>\$ 837</u>	<u>\$ 557</u>	<u>\$ 2,039</u>	<u>\$ 1,868</u>
Expenses relating to low-value asset leases	<u>\$ 273</u>	<u>\$ 290</u>	<u>\$ 761</u>	<u>\$ 791</u>
Total cash outflow for leases			( <u>\$ 21,752</u> )	( <u>\$ 22,020</u> )

The Consolidated Companies have 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.

## 15. BORROWINGS

a. Short-term Borrowings

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
<u>Secured borrowings (Note 29)</u>			
Bank loans	\$ 310,000	\$ 250,000	\$ 110,000
<u>Unsecured borrowings</u>			
Bank loans	<u>596,000</u>	<u>340,000</u>	<u>420,000</u>
	<u>\$ 906,000</u>	<u>\$ 590,000</u>	<u>\$ 530,000</u>

The range of general working capital loan interest rates was 0.78% ~ 1.02%, 0.83% ~ 1.1% and 0.84% ~ 1.18% per annum as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

b. Long-term Borrowings

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
<u>Unsecured borrowings</u>			
Bank loans	\$ 217,144	\$ 232,573	\$ 197,000
Less: Current portion matured within a year	( <u>90,572</u> )	( <u>38,072</u> )	( <u>19,856</u> )
Long-term borrowings	<u>\$ 126,572</u>	<u>\$ 194,501</u>	<u>\$ 177,144</u>

The long-term interest rates on bank loans for the above-mentioned long-term borrowings were all 1.175% ~ 1.25% per annum as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

## 16. NOTES AND ACCOUNTS PAYABLE

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
Notes payable	\$ 479	\$ 479	\$ 957
Accounts payable	<u>302,192</u>	<u>250,316</u>	<u>222,365</u>
	<u>\$ 302,671</u>	<u>\$ 250,795</u>	<u>\$ 223,322</u>

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

#### 17. OTHER PAYABLES

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
Other payables	\$ 185,301	\$ 156,986	\$ 167,906
Payable for constructions	17,029	16,512	15,648
Payable for purchases of equipment	<u>23,463</u>	<u>11,616</u>	<u>13,564</u>
	<u>\$ 225,793</u>	<u>\$ 185,114</u>	<u>\$ 197,118</u>

#### 18. RETIREMENT BENEFIT PLANS

The pension expenses related to the defined contribution and benefit plans recognized from July 1 to September 30, 2021 and 2020 and from January 1 to September 30, 2020 are calculated based on the pension cost rate determined by actuarial calculation on December 31, 2020 and 2019, and the amount was NT\$ 177 thousand, NT\$ 224 thousand, NT\$ 533 thousand and NT\$ 672 thousand respectively.

#### 19. EQUITY

##### a. Share Capital

##### Ordinary shares

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
Number of shares authorized (in thousands)	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
Shares authorized	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>
Number of shares issued and fully paid (in thousands)	<u>100,706</u>	<u>100,706</u>	<u>90,706</u>
Shares issued	<u>\$ 1,007,060</u>	<u>\$ 1,007,060</u>	<u>\$ 907,060</u>

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

##### b. Capital Surplus

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>			
Issuance of ordinary shares	\$ 870,611	\$ 971,317	\$ 584,317
Donations	34,043	27,919	27,919
<u>For the purpose of offsetting deficit only</u>			
Exercised employee share options	54,804	54,804	35,773
Expired employee share options	<u>2,151</u>	<u>2,151</u>	<u>2,151</u>
	<u>\$ 961,609</u>	<u>\$ 1,056,191</u>	<u>\$ 650,160</u>

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 share capital within a certain percentage of the Company's paid-in capital.

The capital surplus resulting from exercised or expired employee share options shall only be used to offset a deficit.

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 21 (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 earnings for the fiscal years 2020 and 2019 were appropriated as follows:

	<b><u>Fiscal Year 2020</u></b>	<b><u>Fiscal Year 2019</u></b>
Legal reserve	<u>\$ 40,984</u>	<u>\$ 32,447</u>
Special reserve	<u>\$ 47,055</u>	<u>\$ 49,851</u>
Cash dividends	<u>\$ 201,412</u>	<u>\$ 199,553</u>
Cash dividends per share (NT\$ )	<u>\$ 2.0</u>	<u>\$ 2.2</u>

The proposals for distribution of the above-mentioned cash dividends have been respectively approved by the resolutions made at the meetings of board of directors on February 26, 2021 and February 25, 2020. The other distribution items have been respectively approved by the resolutions made at the Company's regular shareholders' meetings on July 05, 2021 and June 16, 2020.

The quarterly appropriations of earnings for 2020 have been approved by the Company's Board of Directors in its meeting, respectively. The appropriations and cash dividends per share were as follows:

	<b>Fourth Quarter of 2020</b>	<b>Third Quarter of 2020</b>	<b>Second Quarter of 2020</b>	<b>First Quarter of 2020</b>
Resolution Date of the Company's Board of Directors in its Meeting	February 26, 2021	November 5, 2020	August 6, 2020	May 5, 2020
Cash dividends to shareholders	<u>\$ 201,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash dividends per share (NT\$ )	<u>\$ 2.2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Company's regular shareholders' meetings resolved on July 5, 2021 and June 16, 2020 to issue cash out of the capital reserves NT\$ 100,706 thousand and NT\$ 27,212 thousand respectively, and to issue cash dividends per share at NT\$ 1.0 and NT\$ 0.3 respectively.

The quarterly appropriation of earnings and the Earnings Per Share (EPS) for 2021 were approved by the Company's Board of Directors respectively as follows:

	<u>2021.7.1~9.30</u>	<u>2021.7.1-9.30</u>	<u>2021.1.1-3.31</u>
Date resolved by the Board of Directors	<b>2021.11.5.</b>	<b>2021.8.6</b>	<b>2021.5.5.</b>
Cash Dividend	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EPS Cash (NT\$ )	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

d. Special Revenue

	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
Beginning Balance	\$ 56,293	\$ 6,442
Recognized Special Revenue		
Recognized other deductible equity items	<u>47,055</u>	<u>49,851</u>
Ending Balance	<u>\$ 103,348</u>	<u>\$ 56,293</u>

e. Non-controlling interests (Minority Interests)

	<u>2021.1.1-9.30</u>
Beginning Balance	\$ -
Amount attributed to the Non-controlling interests	
Current Net Profit	( 467 )
Non-controlling interests gained from subsidiaries (Note 24)	<u>15,208</u>
Ending Balance	<u>\$ 14,741</u>

The Company was approved by the Board of Directors on May 5, 2021, and on May 10, 2021 to acquire 62% of the shares of Lifu Carbonic Acid Co., Ltd. originally held by Lifeng Carbonic Acid Co., Ltd. at NT\$ 70,060 thousand.

20. **REVENUE**

	<u>2021.7.1-9.30</u>	<u>2020.7.1-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
Revenue from sale of goods	\$ 1,159,533	\$ 842,435	\$ 3,074,764	\$ 2,510,070
Construction contract revenue	<u>20,624</u>	<u>221,660</u>	<u>65,384</u>	<u>394,909</u>
	<u>\$ 1,180,157</u>	<u>\$ 1,064,095</u>	<u>\$ 3,140,148</u>	<u>\$ 2,904,979</u>

**Contract Balances**

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
Contract assets			
Properties construction - current	\$ 11,152	\$ 8,730	\$ 9,478
Properties construction - non-current	<u>16</u>	<u>5,941</u>	<u>7,773</u>
	<u>\$ 11,168</u>	<u>\$ 14,671</u>	<u>\$ 17,251</u>
Contract liabilities			
Properties construction - current	\$ 162,230	\$ 154,478	\$ 11,283
Sale of goods- current	<u>12,363</u>	<u>2,444</u>	<u>-</u>
	<u>\$ 174,593</u>	<u>\$ 156,922</u>	<u>\$ 11,283</u>

21. **NET PROFIT**

a. Other Income

	<u>2021.7.1-9.30</u>	<u>2020.7.1-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
Dividend income-	\$ 1,413	\$ 1,092	\$ 1,413	\$ 1,092
Rendering of services	3,346	6,903	11,792	21,043
Subsidy income	-	-	3,500	-
Others	<u>2,689</u>	<u>2,598</u>	<u>8,354</u>	<u>9,319</u>
	<u>\$ 7,448</u>	<u>\$ 10,593</u>	<u>\$ 25,059</u>	<u>\$ 31,454</u>

b. Other Gains and Losses

	<u>2021.7.1-9.30</u>	<u>2020.7.1-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
Loss for disposal of Properties, plants and equipment	\$ 542	(\$ 40)	\$ 273	(\$ 40)
Gain from disposal of subsidiaries	-	-	424	-
Investment gains recognized by equity method of accounting	-	-	22,797	-
Net foreign exchange loss	( 403)	( 4,849)	( 8,449)	( 5,025)
Others	<u>( 29)</u>	<u>-</u>	<u>( 39)</u>	<u>( 198)</u>
	<u>\$ 110</u>	<u>(\$ 4,889)</u>	<u>\$ 15,006</u>	<u>(\$ 5,263)</u>

c. Depreciation

	<u>2021.7.1-9.30</u>	<u>2020.7.1-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
Properties, plants and equipment	\$ 63,464	\$ 64,123	\$ 189,789	\$ 175,842
Right-of-use assets	<u>6,690</u>	<u>10,144</u>	<u>19,577</u>	<u>20,000</u>
	<u>\$ 70,154</u>	<u>\$ 74,267</u>	<u>\$ 209,366</u>	<u>\$ 195,842</u>
Analysis of depreciation by function				
Operating costs	\$ 62,717	\$ 68,579	\$ 188,247	\$ 178,835
Operating expenses	<u>7,437</u>	<u>5,688</u>	<u>21,119</u>	<u>17,007</u>
	<u>\$ 70,154</u>	<u>\$ 74,267</u>	<u>\$ 209,366</u>	<u>\$ 195,842</u>

d. Employee Benefits Expense

	<u>2021.7.1-9.30</u>	<u>2020.7.1-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
Post-employment benefits				
Defined contribution plans	\$ 3,114	\$ 2,838	\$ 8,999	\$ 8,365
Defined benefit plans (Note 18)	177	224	533	672
Short-term benefits				
Salaries	83,848	93,360	248,426	240,177
Labor and health insurance	6,712	5,786	20,971	18,274
Others	<u>15,496</u>	<u>12,762</u>	<u>39,873</u>	<u>35,902</u>
Total employee benefits expense	<u>\$ 109,347</u>	<u>\$ 114,970</u>	<u>\$ 318,802</u>	<u>\$ 303,390</u>
Analysis of employee benefits expense by function				
Operating costs	\$ 51,145	\$ 46,790	\$ 154,743	\$ 140,059
Operating expenses	<u>58,202</u>	<u>68,180</u>	<u>164,059</u>	<u>163,331</u>
	<u>\$ 109,347</u>	<u>\$ 114,970</u>	<u>\$ 318,802</u>	<u>\$ 303,390</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 month period ended September 30, 2021 and 2020, which was approved by the Company's Board of Directors, respectively, were as follows:

	<u>2021.1.1-9.30</u>	<u>2020.01.01-09.30</u>
Employees' compensation	2.15%	1.99%
Remuneration of directors and supervisors	2.15%	1.99%

Amount

	<u>2021.7.1-9.30</u>	<u>2020.7.1-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
Employees' compensation	\$ 4,000	\$ 3,200	\$ 10,030	\$ 7,820
Remuneration of directors and supervisors	<u>\$ 4,000</u>	<u>\$ 3,200</u>	<u>\$ 10,030</u>	<u>\$ 7,820</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 26, 2021 and February 25, 2020, and those meetings resulted in the actual amounts of the employees' compensation and remuneration of directors and supervisors paid for the fiscal years 2021 and 2020 are as respectively follows:

	<u>For the Fiscal Year</u>	
	<u>2020</u>	<u>2019</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	\$ 10,547	\$ 9,424
Remuneration of directors and supervisors	10,547	9,424

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

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Employees’ compensation</b>	<b>Remuneration of directors and supervisors</b>	<b>Employees’ compensation</b>	<b>Remuneration of directors and supervisors</b>
Amounts approved in the Board of Directors’ meeting	\$ <u>10,547</u>	\$ <u>10,547</u>	\$ <u>9,424</u>	\$ <u>9,424</u>
Amounts recognized in the annual consolidated financial statements	\$ <u>9,800</u>	\$ <u>9,800</u>	\$ <u>7,540</u>	\$ <u>7,540</u>

Information on the employees’ compensation and remuneration of directors and supervisors for the years ended December 31, 2021 and 2020 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

	<u>2021.7.1-9.30</u>	<u>2020.7.1-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
Interest on bank loans	\$ 2,238	\$ 1,565	\$ 5,400	\$ 3,871
Interest on lease liabilities	264	313	826	994
	<u>\$ 2,502</u>	<u>\$ 1,878</u>	<u>\$ 6,226</u>	<u>\$ 4,865</u>

g. Gains or Losses on Foreign Currency Exchange

	<u>2021.7.1-9.30</u>	<u>2020.7.1-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
Foreign exchange gains	\$ 3,894	\$ 3,371	\$ 15,696	\$ 9,842
Foreign exchange losses	( 4,297 )	( 8,220 )	( 24,145 )	( 14,867 )
Net losses	<u>( \$ 403 )</u>	<u>( \$ 4,849 )</u>	<u>( \$ 8,449 )</u>	<u>( \$ 5,025 )</u>

## 22. INCOME TAXES

a. Income Tax Recognized in Profit or Loss

Major components of income tax expense are as follows:

	<u>2021.7.1-9.30</u>	<u>2020.7.1-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
Current tax				
In respect of the current period	\$ 36,392	\$ 27,471	\$ 81,647	\$ 73,136
Adjustments for prior periods	<u>-</u>	<u>-</u>	<u>( 4,070 )</u>	<u>( 2,304 )</u>
	<u>36,392</u>	<u>27,471</u>	<u>77,577</u>	<u>70,832</u>
Deferred tax				
In respect of the current period	<u>1,131</u>	<u>2,897</u>	<u>4,464</u>	<u>6,728</u>
Adjustments for prior periods	<u>\$ 37,523</u>	<u>\$ 30,368</u>	<u>\$ 82,041</u>	<u>\$ 77,560</u>

b. Income Tax Recognized in Other Comprehensive Income

	<u>2021.7.1-9.30</u>	<u>2020.7.1-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
Deferred income				
Unrealized gains and losses of financial assets measured at fair value through other comprehensive gains and losses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>( \$ 1,279 )</u>

c. Income Tax Assessments

The Income tax returns of the Company and the International Nitto Technology Company Limited up to the fiscal year 2018, and the income tax returns of San Fu Biotech Co., Ltd. up to the fiscal year 2019 have been assessed by the tax authorities.

**23. EARNINGS PER SHARE**

	<b>Unit: NT\$ Per Share</b>			
	<u>2021.7.1-9.30</u>	<u>2020.7.1-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
Basic earnings per share				
Basic earnings per share	\$ 1.55	\$ 1.33	\$ 3.69	\$ 3.36
Diluted earnings per share				
Diluted earnings per share	\$ 1.55	\$ 1.33	\$ 3.69	\$ 3.36

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

	<u>2021.7.1-9.30</u>	<u>2020.7.1-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
Net Profit	\$ 156,215	\$ 120,687	\$ 371,943	\$ 304,779

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

	<u>2021.7.1-9.30</u>	<u>2020.7.1-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	100,706	90,706	100,706	90,706
Effect of potentially dilutive ordinary shares				
Employees' compensation	<u>149</u>	<u>119</u>	<u>183</u>	<u>160</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>100,855</u>	<u>90,825</u>	<u>100,889</u>	<u>90,866</u>

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

## 24. AMALGAMATION (MERGER) OF COMPANIES

### a. Acquisition of Subsidiary

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

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

### b. Assets Acquired and Liabilities Assumed on the Acquisition Date

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

### c. Non-controlling Interests (Minority Interests)

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

### d. Bargain Purchase Gain Arising from Acquisitions

	<u><b>Lifu Carbon Acid Co., Ltd.</b></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 adjustments 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>
	(\$ 56,777)

f. The impact of business mergers on business results

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

	<u>Lifu Carbon Acid Co., Ltd.</u>
Operating revenue	\$ -
Net loss for the period	(\$ 3,597)

If business combinations occurred on the beginning of the fiscal year to which the acquisition date belongs, the proposed operating revenue and proposed net profit of the Consolidated Companies from January 1 to September 30, 2021 will be NT\$ 3,140,195 thousand and NT\$ 369,438 thousand respectively. Such amounts cannot reflect the actual revenue and operating results of the Consolidated Companies if the business combination was completed on the start date of the acquisition year, and should not be used to predict future operating results.

## 25. NON-CASH TRANSACTION

For the nine month period ended September 30, 2021 and 2020, the Consolidated Companies 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 Consolidated Companies for property, plant and equipment partly for the nine month period ended September 30, 2021 and 2020 were as follows (please refer to Notes 13 and 17):

	<b>2021.1.1-9.30</b>	<b>2020.01.01.-09.30</b>
Prepayments for equipment transferred (reclassification)	\$ 39,906	\$ 65,845
Acquire subsidiary assets	<u>\$ 112,426</u>	<u>\$ -</u>
Purchase property, plant and equipment	\$ 427,946	\$ 201,810
(Increase) Decrease in payments for equipment and constructions	( 12,364 )	30,354
Paid in cash by acquiring property, plant and equipment	<u>\$ 415,582</u>	<u>\$ 232,164</u>

## 26. CAPITAL RISK MANAGEMENT

The Consolidated Companies manage its capital to ensure that entities in the Consolidated Companies 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 Consolidated Companies' capital structure management, the Consolidated Companies set its suitable market share according to its industry scale, the growth of the industry and the blueprint of the product development. The Consolidated Companies estimate the required capacity, the equipment and related capital expenditure to be used. Then the Consolidated Companies calculate the working capitals and cash based on the industry character to support a complete plan for its long-term

development. Finally, the Consolidated Companies 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 Consolidated Companies adopt a prudent risk management strategy.

## 27. FINANCIAL INSTRUMENTS

### a. Fair Value of Financial Instruments Not Measured At Fair Value

The Consolidated Companies 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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>September 30, 2021</u></b>				
<u>Financial assets at FVTOCI</u>				
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>
<b><u>December 31, 2020</u></b>				
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 47,020	\$ -	\$ -	\$ 47,020
Domestic unlisted shares	-	-	6,698	6,698
Foreign unlisted shares	-	-	<u>103,753</u>	<u>103,753</u>
Total	<u>\$ 47,020</u>	<u>\$ -</u>	<u>\$110,451</u>	<u>\$157,471</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>September 30, 2020</u></b>				
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 44,713	\$ -	\$ -	\$ 44,713
Domestic unlisted shares	-	-	6,698	6,698
Foreign unlisted shares	-	-	<u>104,938</u>	<u>104,938</u>
Total	<u>\$ 44,713</u>	<u>\$ -</u>	<u>\$111,636</u>	<u>\$156,349</u>

There were no transfers of financial assets at FVTOCI between Levels 1 and 2 for the period from January 1 to September 30 in the fiscal years 2021 and 2020.

2) Financial Instruments Applied For Level 3 Adjustment at FVTOCI

	<b>Financial assets at FVTOCI</b>	
	<b>Through other comprehensive income</b>	
	<b>2021.1.1-9.30</b>	<b>2020.01.01.-09.30</b>
<u>Financial assets – Equity instrument</u>		
Beginning balance	\$ 110,451	\$ 89,251
Purchase	-	24,067
Foreign exchange difference	( 1,205 )	( 1,682 )
Ending balance	<u>\$ 109,246</u>	<u>\$ 111,636</u>

3) Valuation Techniques And Assumptions Used In Fair Value Measurement

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices.
- b) Valuation techniques and inputs applied for Level 3 fair value measurement
- i. The fair values of unlisted equity securities in Taiwan were determined using the income approach. Under this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs are listed in the table below. Decrease in discount for the lack of marketability or non-controlling interests discount would result in increase in the fair value.

	<b>2021.09.30</b>	<b>2020.09.30</b>
Discount for lack of marketability	25%	25%
Non-controlling interests discount	20%	20%

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

	<b>2021.09.30</b>	<b>2020.09.30</b>
Discount for lack of marketability		
1% decrease	<u>\$ 77</u>	<u>\$ 86</u>
Non-controlling interests discount		
1% decrease	<u>\$ 72</u>	<u>\$ 80</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.

	<b>2021.09.30</b>	<b>2020.09.30</b>
Discount for lack of marketability	20%~32.27%	15%~32.27%

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

	<b>2021.09.30</b>	<b>2020.09.30</b>
Discount for lack of marketability		
1% decrease	<u>\$ 4,140</u>	<u>\$ 1,569</u>

c. Categories of Financial Instruments

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
<u>Financial assets</u>			
Financial assets at amortized cost (*1)	\$ 1,809,477	\$ 2,132,074	\$ 1,383,041
Financial assets at FVTOCI	136,997	157,471	156,349
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (*2)	1,656,008	1,260,529	1,151,103

\*1) The balances include loans and receivables at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost - current, account and notes receivables, and receivables from related parties. Those reclassified to held-for-sale disposal groups are included.

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

d. Financial Risk Management Objectives and Policies

The Consolidated Companies' major financial instruments include financial assets at amortized cost, equity investments, short-term loans, notes and account payables, account payables - related parties, others payable, long-term loans due within one year, and long-term loans. The Consolidated Companies' 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 Consolidated Companies 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 Consolidated Companies, the Board of Directors authorized the chairman develop and monitored the risk management policy of the Consolidated Companies with the operation center of the Consolidated Companies, and regularly reported the situation to the Board of Directors.

The Consolidated Companies' financial risk management policies are developed for identifying and analyzing the financial risks to the Consolidated Companies, 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 Consolidated Companies are engaged in developing a disciplined and constructive control environment, in order to have all employees understand own responsibilities.

The Consolidated Companies' 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 Consolidated Companies' activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see a) below), interest rates (see b) below), and another price risk (see c) below).

a) Foreign Currency Risk

The Consolidated Companies have assets and liabilities not recorded in the same functional currency as that of the Consolidated Companies, thus, it is exposed to risks due to exchange rate

fluctuation.

To manage risks within an acceptable level, the Consolidated Companies use the natural hedge against its currency risk. The Consolidated Companies 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 Consolidated Companies' foreign currency denominated monetary assets and monetary liabilities which were not in the same functional currency as the Consolidated Companies' entity at the end of the reporting period are shown in Note 30.

#### Sensitivity Analysis

The Consolidated Companies were mainly exposed to the U.S. dollar.

The following table shows the Consolidated Companies' sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency of the Consolidated Companies) 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.

	<b>Unit: Thousand NT\$</b>	
	<b>Currency USD Impact</b>	
	<b><u>2021.1.1-9.30</u></b>	<b><u>2020.01.01.-09.30</u></b>
Profit or loss	\$ <u>10,001</u> (i)	\$ <u>9,463</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 Consolidated Companies are exposed to interest rate risk because entities in the Consolidated Companies borrow funds at both fixed and floating interest rates. The financial costs for the period from January 1 to September 30 in the fiscal years 2021 and 2020 were NT\$ 6,226 thousand and NT\$ 4,865 thousand respectively, which only constitute 0.20% and 0.17% of consolidated net sales revenue. Therefore, the interest rate risk has no significant impact on the Company.

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

	<b>Unit: Thousand NT\$</b>		
	<b><u>2021.09.30</u></b>	<b><u>2020.12.31</u></b>	<b><u>2020.09.30</u></b>
Fair value interest rate risk			
Financial liabilities	\$ 879,489	\$ 589,417	\$ 525,382
Cash flow interest rate risk			
Financial liabilities	322,144	312,573	287,000

### Sensitivity Analysis

The sensitivity analysis was determined based on the Consolidated Companies' 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 Consolidated Companies' pre-tax profit for the nine month period from January 1 to September 30 in the fiscal years 2021 and 2020 would decrease/increase by NT\$ 121 thousand and NT\$ 108 thousand, respectively.

#### c) Other Price Risks

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

### Sensitivity Analysis

If equity prices had been 5% higher/lower, pre-tax other comprehensive income for the nine month period from January 1 to September 30 in the fiscal years 2021 and 2020 would have increased/decreased by NT\$ 6,850 thousand and NT\$ 7,817 thousand respectively, because of the changes in fair value of financial assets at FVTOCI.

## **2) Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Consolidated Companies. As of the end of the reporting period, the Consolidated Companies' maximum exposure to credit risk, which will cause a financial loss to the Consolidated Companies 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 Consolidated Companies are to trade with reputable objects only, and continue to supervise the credit risk insurance and the credit rating of the counterparty

Apart from the companies A, B and C of the Consolidated Companies, the Consolidated Companies have no significant credit risk exposure from any single counterparty or any group of counterparties with similar characteristics. Apart from the companies A, B and C, the concentration of credit risk to other clients did not exceed 10% of total accounts receivable. The credit risk is expected to be immaterial as the companies A, B and C are all reliable and trustworthy counterparties.

## **3) Liquidity Risk**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the Consolidated Companies' short-, medium- and long-term funding and liquidity management requirements. The Consolidated Companies 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, 2021, and December 31, 2020 and September 30, 2020, the Consolidated Companies had available unutilized short-term bank loan facilities in the amount of NT\$ 648,176 thousand, NT\$ 996,147 thousand and NT\$ 1,046,016 thousand, respectively.

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

**September 30, 2021**

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>
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**

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

**December 31, 2020**

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

**Additional information about the maturity analysis for lease liabilities**

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>
Lease liabilities	<u>\$ 20,212</u>	<u>\$ 35,539</u>	<u>\$ 26,117</u>	<u>\$ -</u>

**September 30, 2020**

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>
Lease liabilities	\$ 2,138	\$ 4,275	\$ 16,396	\$ 39,325	\$ 27,161
Variable interest rate liabilities	-	94,427	15,429	177,144	-
Fixed interest rate liabilities	<u>290,000</u>	<u>50,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 292,138</u>	<u>\$ 148,702</u>	<u>\$ 131,825</u>	<u>\$ 216,469</u>	<u>\$ 27,161</u>

Additional information about the maturity analysis for lease liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>
Lease liabilities	\$ <u>22,809</u>	\$ <u>39,325</u>	\$ <u>20,893</u>	\$ <u>6,268</u>

**28. TRANSACTIONS WITH RELATED PARTIES**

The transaction, account balance, income and expenses between the Company and its subsidiaries, which are related parties of the Consolidated Companies, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Consolidated Companies and the other related parties are disclosed below.

a. Related Party Name and Category

<u>Related Party Name</u>	<u>Related Party Category</u>
San Fu Global Ltd.	Investors with significant influence over the Company
Zhang Chun Ming	Investors with significant influence over the Company
Shian Yun Joint Stock Company (Vietnam)	Affiliated companies
Lifu Carbonate Co., Ltd.	Affiliated companies (Acquisition Subsidiary on May 10, 2021)
Hongchong Enterprise Co., Ltd.	Affiliated companies
China Fangda (International) Investment Development Corporation	Affiliated companies
Sanfuming Electronic Material Co., Ltd.	Joint venture
Fulu Cultural Foundation	Other related party

b. Sales of Goods

	<u>2021.7.1-9.30</u>	<u>2020.7.1-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
<u>Sales</u>				
Joint ventures	\$ <u>1,605</u>	\$ <u>55</u>	\$ <u>6,493</u>	\$ <u>8,171</u>
<u>Purchase</u>				
Affiliated companies	\$ 3,715	\$ 3,487	\$ 8,883	\$ 10,500
Joint ventures	<u>941</u>	<u>-</u>	<u>1,024</u>	<u>88</u>
	\$ <u>4,656</u>	\$ <u>3,487</u>	\$ <u>9,907</u>	\$ <u>10,588</u>
<u>Service revenue</u> (recognized as other income)				
Joint ventures				
Sanfuming Electronic Material Co., Ltd.	\$ 646	\$ 1,503	\$ 3,692	\$ 4,476
Affiliated companies	<u>-</u>	<u>-</u>	<u>-</u>	<u>367</u>
	\$ <u>646</u>	\$ <u>1,503</u>	\$ <u>3,692</u>	\$ <u>4,843</u>
<u>Service expense</u> (recognized as other expense)				
Investors with significant influence over the Consolidated Companies	\$ <u>286</u>	\$ <u>286</u>	\$ <u>857</u>	\$ <u>993</u>

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

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
<u>Accounts receivable - related party</u>			
Joint ventures	\$ 1,666	\$ 3,573	\$ 56
<u>Other receivables - related party</u>			
Investors with significant influence			
Joint ventures	<u>3,692</u>	<u>6,017</u>	<u>4,477</u>
	<u>\$ 5,358</u>	<u>\$ 9,590</u>	<u>\$ 4,533</u>
<u>Accounts payable - related party</u>			
Investors with significant influence	\$ 500	\$ -	\$ -
Affiliated companies	<u>3,900</u>	<u>2,047</u>	<u>3,662</u>
	<u>\$ 4,400</u>	<u>\$ 2,047</u>	<u>\$ 3,662</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>Line Item</u>	<u>Related Party Category/Name</u>	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
Lease liabilities	Investors with significant influence			
	Sanfu Global Co., Ltd.	\$ 44,472	\$ 45,387	\$ 46,695
	Others	<u>1,272</u>	<u>-</u>	<u>256</u>
		<u>\$ 45,744</u>	<u>\$ 45,387</u>	<u>\$ 46,951</u>

<u>Related Party Category/Name</u>	<u>2021.7.1.-9.30</u>	<u>2020.7.1.-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
<u>Interest Expense</u>				
Investors with significant influence				
Sanfu Global Co., Ltd.	\$ 112	\$ 123	\$ 340	\$ 399
Others	<u>4</u>	<u>1</u>	<u>13</u>	<u>5</u>
	<u>\$ 116</u>	<u>\$ 124</u>	<u>\$ 353</u>	<u>\$ 404</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\$ 6,124 thousand and NT\$ 6,746 thousand for the nine month period from January 1 to September 30, 2021 and 2020 respectively, and the revenue was credited in capital surplus-donations.

e. Compensation of Key Management Personnel

	<u>2021.7.1.-9.30</u>	<u>2020.7.1.-9.30</u>	<u>2021.1.1-9.30</u>	<u>2020.1.1-9.30</u>
Short-term employee benefits	\$ 8,106	\$ 8,475	\$ 29,255	\$ 27,752
Post-employment benefits	<u>466</u>	<u>312</u>	<u>1,197</u>	<u>936</u>
	<u>\$ 8,572</u>	<u>\$ 8,787</u>	<u>\$ 30,452</u>	<u>\$ 28,688</u>

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

**29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

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

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
Pledged deposits (classified as financial assets at amortized cost)	\$ 222,400	\$ 222,400	\$ 11,500
Land	40,349	40,349	40,349
Buildings, net	<u>46,345</u>	<u>49,054</u>	<u>49,743</u>
Non-current assets held for sale	<u>\$ 309,094</u>	<u>\$ 311,803</u>	<u>\$ 101,592</u>

**30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

The significant financial assets and liabilities of each individual group entity of the Consolidated Companies 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, 2021**

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<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 affiliated companies and joint ventures using the 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

**December 31, 2020**

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

**September 30, 2020**

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Foreign Currency Assets</u>			
<u>Monetary items</u>			
USD	\$ 8,816	29.050 (USD: NTD)	\$ 256,105
<u>Non-monetary items</u>			
Investments in affiliated companies and joint ventures using the equity method			
CNY	79,482	0.147 (CNY: USD)	339,630
VND	32,481,416	0.0011 (VND: NTD)	36,704
<u>Foreign Currency Liabilities</u>			
<u>Monetary items</u>			
USD	2,293	29.150 (USD: NTD)	66,841

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

Foreign Currencies	<b>For the three-month period</b>			
	<b>From July 1 to September 30, 2021</b>		<b>From July 1 to September 30, 2020</b>	
	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>
USD	27.800 (USD: NTD)	\$ 3,332	29.050 (USD: NTD)	(\$ 2,236)
JPY	0.247 (JPY:NTD)	( 809)	0.2736 (JPY:NTD)	
Foreign Currencies	<b>For the nine month period</b>			
	<b>From January 1 to September 30, 2021</b>		<b>From January 1 to September 30, 2020</b>	
	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>
USD	27.800 (USD: NTD)	\$ 4,057	29.050 (USD: NTD)	\$ 3,004
JPY	0.247 (JPY:NTD)	( 809)	0.2736 (JPY:NTD)	

**31. SEPARATELY DISCLOSED ITEMS**

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, affiliated companies and joint ventures) (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$ 300 million or 20% of the paid-in capital (Table 4)
- 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 (None)
  - 10) Intercompany relationships and significant intercompany transactions (Table 5)
- b. Information on investees (Table 6)
  - 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 (Table 7)
    - 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)

### **32. SEGMENT INFORMATION**

Information reported to the chief operating decision maker for resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Consolidated Companies' reportable segments were as follows:

- Fine (high precision) chemicals
- Basic chemicals

a. Segment Revenue and Results

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

	<u>Fine Chemicals</u>	<u>Basic Chemicals</u>	<u>Write off by Segment</u>	<u>Total</u>
<b><u>For the nine month period from January 1 to September 30, 2021</u></b>				
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 gain and losses				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>

**For the nine month period from January 1 to September 30, 2020**

Revenue of general customers	\$2,238,372	\$ 666,607	\$ -	\$2,904,979
Revenue of segment	-	57,733	( 57,733)	-
Total	<u>\$2,238,372</u>	<u>\$ 724,340</u>	<u>(\$ 57,733)</u>	<u>\$2,904,979</u>
Profit from operations	<u>\$ 426,429</u>	<u>(\$ 72,574)</u>	<u>\$ -</u>	\$ 353,855
Financial cost				( 4,865)
Investments using equity method				6,275
Interest income				883
Other income				31,454
Other gain and losses				( 5,263)
Income before income tax				<u>\$ 382,339</u>

Segment profit refers to the profit before tax earned by each segment, excluding other income, other gains and losses, financial costs, carrying amount of profit or loss of investments of affiliate companies and joint ventures using equity method of accounting, income tax expense, bargain purchase gain and tax expenses etc. The measured amount serves as a basis for the chief operating decision maker to allocate resources and assess segment performance.

b. Segment Total Assets and Liabilities

	<u>2021.09.30</u>	<u>2020.12.31</u>	<u>2020.09.30</u>
<u>Segment assets</u>			
Continuing operations			
Fine chemicals	\$ 3,845,999	\$ 2,751,020	\$ 2,747,540
Basic chemicals	1,246,673	1,837,058	1,201,212
Investment	790,854	796,346	579,703
Consolidated total assets	<u>\$ 5,883,526</u>	<u>\$ 5,384,424</u>	<u>\$ 4,528,455</u>

**SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS**

QUARTERLY REPORT FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

(In Thousands of New Taiwan Dollars, Unless Stated 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	\$ -	-	\$ -	\$ 389,015	\$ 1,556,062	(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	-	-	-	389,015	1,556,062	(Note 3)
0	San Fu Chemical Co., Ltd.	VinaSanFu Industrial Gas Company Limited	Other receivables	Y	300,000	300,000	50,130 (USD 1,800,000) (Note 4)	1%	Short-term financing is required	-	Operating capital	-	-	-	389,015	1,556,062	(Note 3)
0	San Fu Chemical Co., Ltd.	VinaSanFu Material Company Limited	Other receivables	Y	300,000	300,000	-	-	Short-term financing is required	-	Operating capital	-	-	-	389,015	1,556,062	(Note 3)

Note 1: The items are numbered as follows:

- a. Issuer is numbered as "0".
- b. Investee companies are numbered from "1".

Note 2: The maximum amount for financing provided to others:

- a. The maximum amount of financing provided by the Company shall not exceed 40% of the Company's net worth.
- b. The maximum amounts of financing provided by the Company and its subsidiaries are as follows:
  - i. The maximum amount of financing provided to all businesses shall not exceed 10% of the Company's net worth. The maximum amount of financing provided to an individual shall not exceed 10% of the Company's net worth, and the gross transaction amount (the higher of purchase amount or sales amount between the two parties) for the past year.
  - ii. In the case of financing companies with short-term financing needs, the maximum amount of financing provided to such companies shall not exceed 30% of their net worth, the maximum amount of financing provided to an individual shall not exceed 10% of the Company's net worth.

Note 3: Other receivables have been eliminated when preparing the consolidated financial statements.

Note 4: Calculated based on the foreign currency exchange rate dated September 30, 2021 (USD\$1 = NT\$ 27.85)

**SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENTS/GURANTEES PROVIDED**

QUARTERLY REPORT FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

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

**TABLE 2**

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	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.	\$ 389,015	\$ 250,000	\$ 250,000	\$140,000	\$	6.43%	\$ 1,556,062	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.	389,015	300,000	300,000			7.71%	1,556,062	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.	389,015	300,000	300,000	167,160		7.71%	1,556,062	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**

QUARTERLY REPORT (AS OF SEPTEMBER 30, 2021)

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

**TABLE 3**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	As of September 30, 2021				Note
				Number of Shares (Thousand)	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	1,356,989	27,751	0.45%	27,751	
	Global Graphene Group	-	Financial assets at fair value through other comprehensive income	18,490	49,307	1.42%	49,307	
Sino Star Holding Limited	Hubei Xingfu Electronic Material Co., Ltd.	-	Financial assets at fair value through other comprehensive income	-	53,241	3.47%	53,241	

Note 1: The information for investments in subsidiaries, affiliated companies and joint venture is included in Tables 6 and 7.

Note 2: The fair value is calculated based on closing prices on September 30, 2021.

**SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$ 300 MILLION OR 20% OF THE PAID-IN CAPITAL**  
 QUARTERLY REPORT FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

**TABLE 4**

Securities Purchased/ Sold by	Type & Name of Securities	Line Item	Trading Purpose	Relation-ship	Beginning		Purchase		Adjustment (Note 1)	Sale				Ending	
					Quantity of Shares	Amount	Quantity of Shares	Amount		Quantity of Shares	Selling Price	Carrying costs	Gain (Loss) of Disposal	Quantity of Shares	Amount
San Fu Chemical Co., Ltd.	International Nitto Technology Co., Ltd.	Investment recognized by the Equity Method of Accounting	Cash Capital Increase	Subsidiary	15,000,000	\$ 148,365	25,000,000	\$ 250,000	(\$ 10,405)	-	\$ -	\$ -	\$ -	-	\$ 387,960

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**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**

QUARTERLY REPORT FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

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

**TABLE 5**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	San Fu Chemical Co., Ltd.	San Fu Biotech Co., Ltd.	1	Accounts receivable - parties, net	\$ 9,201	90 days of the month	0.16%
				Other receivables - parties, net	6,227	According to the contract	0.11%
				Sales revenue	32,116	90 days of the month	1.02%
				Accounts payable - parties, net	5,782	90 days of the month	0.10%
				Purchase	11,713	90 days of the month	0.37%

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**

**INFORMATION ON INVESTEEES**

QUARTERLY REPORT FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

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

**TABLE 6**

Investor Company	Investee Company (Note 2)	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2021	December 31, 2020	Number of Shares (Thousands)	%	Carrying Amount			
San Fu Chemical Co., Ltd.	San Fu Specialty Chemicals Investments Limited	Samoa	Investment activities	\$2,351 thousand	\$2,351 thousand	2,350,840	100%	\$ 453,701	\$ 48,351	\$ 48,351	Note 1
	San Fu Food Additives Investments Limited	Samoa	Investment activities	552 thousand	552 thousand	552,198	100%	-	-	-	Note 4
	VinaSanFu Industrial Gas Company Limited	Vietnam	Engaged in industrial gas production	13,650 thousand	12,285 thousand	-	100%	365,878	( 8,855)	( 8,855)	Note 1
	VinaSanFu Material Company Limited	Vietnam	Engaged in the production of chemical materials	12,200 thousand	10,700 thousand	-	100%	321,336	( 11,896)	( 11,896)	"
	San Fu Biotech Co., Ltd.	Taiwan	Engaged in the manufacture and sale of food additives	125,000	125,000	13,000,000	100%	157,638	20,586	20,586	"
	International Nitto Technology Co., Ltd	Taiwan	Engaged in electronic component manufacturing business	477,904	227,904	40,000,000	100%	387,960	( 10,405)	( 10,405)	"
	Hongchong Enterprise Co., Ltd.	Taiwan	Liquid oxygen, oxygen, liquid nitrogen and other gas trading business	10,527	10,527	1,200,000	50%	14,514	2,060	1,030	
	Lifu Carbonate Co., Ltd.	Taiwan	Engaged in carbon dioxide gas, carbonic acid fire extinguisher, dry ice manufacturing and its sales and marketing	7,7,253	7,193	2,240	87%	98,650	( 6,937)	( 3,965)	Note 3
	Shian Yun Joint Stock Company	Vietnam	Engaged in industrial gas production	1,232 thousand	1,232 thousand	2,659,974	33.33%	37,044	( 3,280)	( 1,093)	
San Fu Specialty Chemicals Investments Limited	Sanfuming Electronic Material Co., Ltd.	Shanghai, China	Engaged in the operation of international trade business	2,151 thousand	2,151 thousand	-	50%	368,759	100,777	50,388	
	Sino Star Holding Limited	Samoa	Investment activities	1,868 thousand	1,868 thousand	1,867,838	100%	54,207	-	-	Note 1
San Fu Food Additives Investments Limited	Fangda International (SAMOA) Ltd.	Samoa	Investment activities	1,300 thousand	1,300 thousand	1,300,000	41.94%	-	-	-	Note 4

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

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

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

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

**SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**

QUARTERLY REPORT FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

**TABLE 7**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2021 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3 and Note 7)	Carrying Amount as of September 30, 2021 (Note 1)	Accumulated Repatriation of Investment Income as of September 30, 2021
					Outward	Inward						
Sanfuming Electronic Material Co., Ltd.	Engaged in the operation of international trade business	\$ 250,650 (US\$ 9,000 thousand) (Notes 1 and 4) 1,544,040 (CNY 360,000 thousand) (Note 2)	Through the third company reinvest in mainland companies	\$ 18,130 (US\$ 651 thousand)  51,968 (US\$ 1,866)	\$-	\$-	\$ 18,130 (US\$ 651 thousand)  51,968 (US\$ 1,866)	\$ 100,777  221,115	50  3.47	\$ 50,388  -	\$ 368,759 (US\$ 13,241 thousand)  53,241 (US\$ 1,912 thousand)	\$ -  -

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2021	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$162,477 (US\$ 5,834 thousand) (Notes 5 and 6)	\$266,218 (9,559 thousand)	\$2,334,093

Note 1: The exchange rate on September 30, 2021 was USD\$1=NT\$ 27.85

Note 2: The exchange rate on September 30, 2021 was RMB\$1=NT\$ 4.289

Note 3: The average exchange rate was based on the USD\$1=NT\$ 28.067 for the nine month period from January 1, 2021 to September 30, 2021.

Note 4: In April 2021, the company raised US\$ 651 thousand of capital (all new shares were subscribed by Hubei Xingfu Electronic Materials Co., Ltd.). In October 2012, the Company converted US\$ 1,698 thousand of retained earnings into capital stock. In April 2013, the Company increased its capital by US\$3,000 thousand, and in July 2018, the Company transferred US\$3,000 thousand of retained earnings into capital.

Note 5: This includes accumulated outward remittance for investments in Keyron Top Chemical (Shanghai) Co., Ltd. (US\$ 2,017 thousand). 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 thousand). The company was liquidated in January 2017.

Note 7: The amount was calculated based on the financial statements that have not been reviewed by the certified public accountants during the same period.

## SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

### INFORMATION OF MAJOR SHAREHOLDERS

BASED ON THE INFORMATION REPORTED AS OF SEPTEMBER 30, 2021

**TABLE 8**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sanfu Global Co., Ltd.	24,067,315	23.89%
Pilot Keymark SDN. BHD.	19,929,000	19.78%

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to the MOPS (Market Observation Post System) of Taiwan Stock Exchange.