

Stock code : : 4755



**SAN FU CHEMICAL Co., Ltd.**

# 2020 Annual Report



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

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

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

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SAN FU

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

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## I. Letter to Shareholders

In retrospect, in 2020, the global economic development was the COVID-19 pandemic, but the company's operating results had a slight growth compared with the previous year under the efforts of the business operating teams. The following is a summary of the results of the business in 2020 and the business plan in 2021:

### 1. Review of Business Operations in 2020

#### (1) Business Plan Implementation Results in 2020

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

Developer (TMAH) Recycling Business Division: In 2020, new plants of T company and M company were successively completed, and the requirement for expanding existing systems was also completed. In addition to assisting customers to solve the sewage treatment problems, we had also earned revenue for the company. At the end of the year, we obtained the order of building the new factory of T company and M company, and the construction of the new factory is expected to be completed by 2021.

To cope with the increasing number of customers' requests on building the recycling system, the capacity of the existing Phase 1 plant has reached its full load, so that it is necessary to build a Phase II plant. The capital increase for the new plant was approved by the Board of Directors in the second quarter of 2020, and the permit for building the new plant was approved by Southern Taiwan Science Park Bureau in the third quarter, and the annual production capacity 25% of TMAH can be increased by a million ton after the whole construction is completed. In addition, pure chemical and dilute production lines are added, such that the TMAH can be refined to a grade of super-high purity, so as to comply with its use by the most advanced semiconductor process today.

The electrolysis plant is expected to start production by the second quarter of 2021, the panel factory of F Group (Guangzhou) and the raw material factory of Company T (Nanjing) are used for production trial, and the products are provided for the use by the panel factory of F Group (Guangzhou).

Specialty Chemicals Division: For front-end semiconductors, in 2020, it developed some IC chemical certification cases, such as  $H_3PO_4$ , CPN, PMA, TMAH, EBR, wet etching solution, etc. In addition, the joint development of OEM cases between San Fu and foreign companies such as the recipe products with different concentrations have entered the processes of official sample delivery and factory auditing. It is expected to undertake the certification results of 2019 in 2020.

In terms of semiconductor packaging, in the past few years, the REUSE of packaging bumping stripper was actively promoted to existing customers and new customers. The new liquids provided by San Fu including tripper, EBR, TMAH, CPN, and PMA and the innovative environmental protection technology combined with the waste liquid recycled and reused are promoted to customers. Successive

sample deliveries and developments in 2020 including those for T, P, G, C, and W companies will be introduced to the certification of San Fu chemicals. The major leading packaging and testing company has entered into the substantial level of machine testing.

As for the panel industry, in 2020, due to the impact of the global pandemic, the South Korea's reduction of market supply has resulted in a smooth supply in Taiwan and Mainland markets. The average unit price of panels has risen, and the production capacity of the panel industry has generally increased. However, customers are also actively reducing chemicals and importing new suppliers from the Mainland, so the revenue of San Fu is slightly affected; for the development of new products, Cu stripper and LTPS stripper were under certification by I company, and it is expected to supply the products officially by 2021. Meanwhile, significant progress was made in Cu etchant products in 2020, and OEM business with Mainland C company was obtained, and it is expected that online certification will be arranged in 2020. In addition, H company in Southern Taiwan Science Park is also undergoing new chemical formulation projects. The certification of both etching and stripping solutions required by new processes have been started online.

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

Domestic Sales Unit: We introduce a number of new product developments and sales according to the company's existing customer resources, such as sodium gluconate, sodium bicarbonate, trehalose, anhydrous calcium chloride, oxalic acid, etc. to establish product diversification; in addition, according to the government's food safety management specifications, a new food additive plant has been built in Liuke plant, and the small subpackaging market development has also been introduced.

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

## (2) Analysis of Financial Income and Expense and Profitability

Item	2020	2019	
Financial Income and Expense	Net Sales	3,818,716	3,936,381
	Gross Profit	861,104	686,856
	Income from Operations	470,903	338,636
	Nonoperating Income and Expense	31,317	38,329
	Pre-tax Income	502,220	376,965

	Net Income	399,473	324,475
Profitability	Return on Assets (%)	8.43	7.68
	Return on Shareholder Equity (%)	11.50	10.33
	Pre-tax Income to Paid-in Capital Ratio	49.87	41.56
	Net Margin (%)	10.46	8.24
	Earnings per Share (NTE)	4.36	3.58

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

### (3) R&D status

The company's R & D focuses on product expansion with existing technical advantages and material demand of new industry trends: 1. Give full play to the market share of TMAH recycling, and integrate purification technology and formulation knowledge, develop IC grade developer, so that the recycled products can be reused to IC customers, and implement circular economy; 2. Strengthen the establishment of core technology platform, hydrogenation, electrolysis, and purity and develop high value-added products based on this technology; 3. The formulation development of electronic chemicals should be coordinated with the product demand development of LCD, IC packaging and IC manufacturing customers. 4. We should continue to actively engage in PHBA, Paraben, CHA and DCHA of all existing products, TMAH's process improvement will make the process more energy-saving and efficient, so as to reduce costs and create profits. 5. Cooperate with NCKU University to plan the research and development of solid-state electrolyte for lithium battery, cultivate battery related talents and strengthen the research and development strength. For the purchase and update of R & D analysis equipment and analysis methods, the company continues to expand more advanced equipment, including: ICP MS/MS (inductively coupled plasma tandem mass spectrometer), LC-MS (liquid chromatography mass spectrometer), GPC (gel permeation chromatography) SEM (scanning electron microscope) and other ppt level detection limits required by IC customers are used as tools for application development and analysis of new process chemicals.

## 2. Business Plan for 2021

### (1) Business policy

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

1. Invest in gas companies in Vietnam and send teams of personnel to Vietnam to start gas business.
2. Promote TMAH recycling, increase recycling material sources and enhance the load of the recycling plant.
3. Continue to expand semiconductor customers and strive to increase the turnover of semiconductor customers.

4. Build a specialized Liuke factory to become the most complete electronic chemical factory in Taiwan.
5. Expand DCHA exclusive production line to meet the rising market demand.
6. Integrate relevant products of San Fu Biotechnology Company and San Fu group to form a more professional and rigorous food related industry.
7. Add N<sub>2</sub>O storage tank and purification equipment to develop N<sub>2</sub>O sales business.
8. Continue to seek international technical cooperation to improve the technical level.

## (2) Production and Sales Policy

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

## 3、Future Outlook

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

Developer (TMAH) Recycling Division: For the capacity of Phase I Plant, the storage tank areas have been expanded successively last year to significantly improve the shipping stability and capability as well as starting the use of steam compression energy-saving system to reduce the steam consumption so as to lower the cost. In the future, we will primarily focus our strength on the development of super-high purity graded TMAH in compliance with the requirements of the current semiconductor industry. In addition to the certification of the testing factory that stably produces the 2.38% developer as specified in the T company's specification, we will also plan to build the Phase II product line to produce the super-high purity TMAH.

At present, the progress of the factory construction has entered into the design and contract stage, and it is expected that the trial production of Phase I electrolysis capacity can be completed by Q2 next year, and the trial production of the Phase II purification and 2.38% dilute production lines can be completed by Q3. After the Phases I and II are finished, it is expected to have an annual production of 50,000 tons of 2.38% TMAH, and the Phase III will start the year after next, and mainly expand the equipment of Phases I and II to double the production capacity.

The TMAH recycling system completed at the client end last year has been put into operation in the fourth quarter of last year. The capacity of phase I plant has also

increased significantly in the fourth quarter, and the capacity has been successfully increased to the maximum. However, considering the orders expected to increase this year and the new plant of future customers, the phase II plant is planned to meet the market demand in the future. After the completion of phase II, the expected revenue will return a new wave of growth.

In the mainland market, T company's order in Nanjing was completed last year, and F Group's new investment in Guangzhou was also completed. At present, it mainly aims for OLED manufacturers with a great demand for TMAH consumption, and the major ones are OLED panel manufacturers in Wuhan and Chengdou. Besides the large benefit of recycle to customers, the location is also nearer to Yicheng, so as to reduce the related cross-province procedure handling and transportation costs

Specialty Chemicals Division: under the condition that the supply of new panel production capacity and competitive technology of Mainland plants are greatly increased, the panel industry in Taiwan will significantly drop in revenue and adjust capacity, and the future growth is expected to slow down or even deepen recession. However, the pandemic of 2020 has a positive effect to the two Taiwan major panel manufacturers A and I which have added orders, so that the growth of the production capacity is unexpectedly high. Looking forward to the future, we expect to have the same effect in 2021, and the panel industry with the positive attitude maintains a reasonable utilization rate.

The semiconductor chemical products are divided into three main directions. The first is overseas market, which has the original stable growth of the exported products, and the quantity of newly tested and promoted chemicals is also increased. The second is Taiwan market, which is estimated to have three major products to enter into the mass production stage and occupy more than 50% of the IC revenue. The third is OEM market, and the post-epidemic era and the US-China trade war has a positive effect on Taiwan's semiconductor industry. Leverages the advantages of cost and quality control, San Fu involves in the chemicals OEM business to build a Taiwan production base, ship products to the overseas markets, and create a win-win-win situation for San Fu, foreign chemical manufacturers, and end customers, and the fruitful achievement results of its development and sample delivery can be seen in 2021.

Domestic sales unit of Basic Chemicals Business Division: continue the market development of new product development in 2020, such as stevioside, lactic acid series, etc., and continue to develop and introduce new product and new supplier development in the future, such as natural caramel pigment, slow-release chlorine ingot, amino acid series, etc. develop new products with forward-looking following the market trend to meet the market demand; actively seek domestic competitive peer SMEs for M & A evaluation or strategic alliance, so as to increase the market share of main products and supplement the product line; develop new applications of existing products, get rid of low-cost competition in the cut-throat market, and maintain the leading position with core competitiveness.

In accordance with the government's food safety management standards, a new food additive factory has been rebuilt in Liuke plant area, and San Fu Biotechnology

Co., Ltd. has set up a special food factory for customers to have more confidence in the company's services; strengthen the ability of professional product quality control analysis and detection, improve the company's product quality control, and meet the needs of customers under the complete quality assurance system to improve the company's image.

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

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

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

Chairman:



Manager:



Accounting Supervisor:



## VII.II. Company Overview

### 1. Company Profile

(1) Founding date: March 17, 2003

(2) Headquarters, branch companies and factory information

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

### 2. Company Milestones

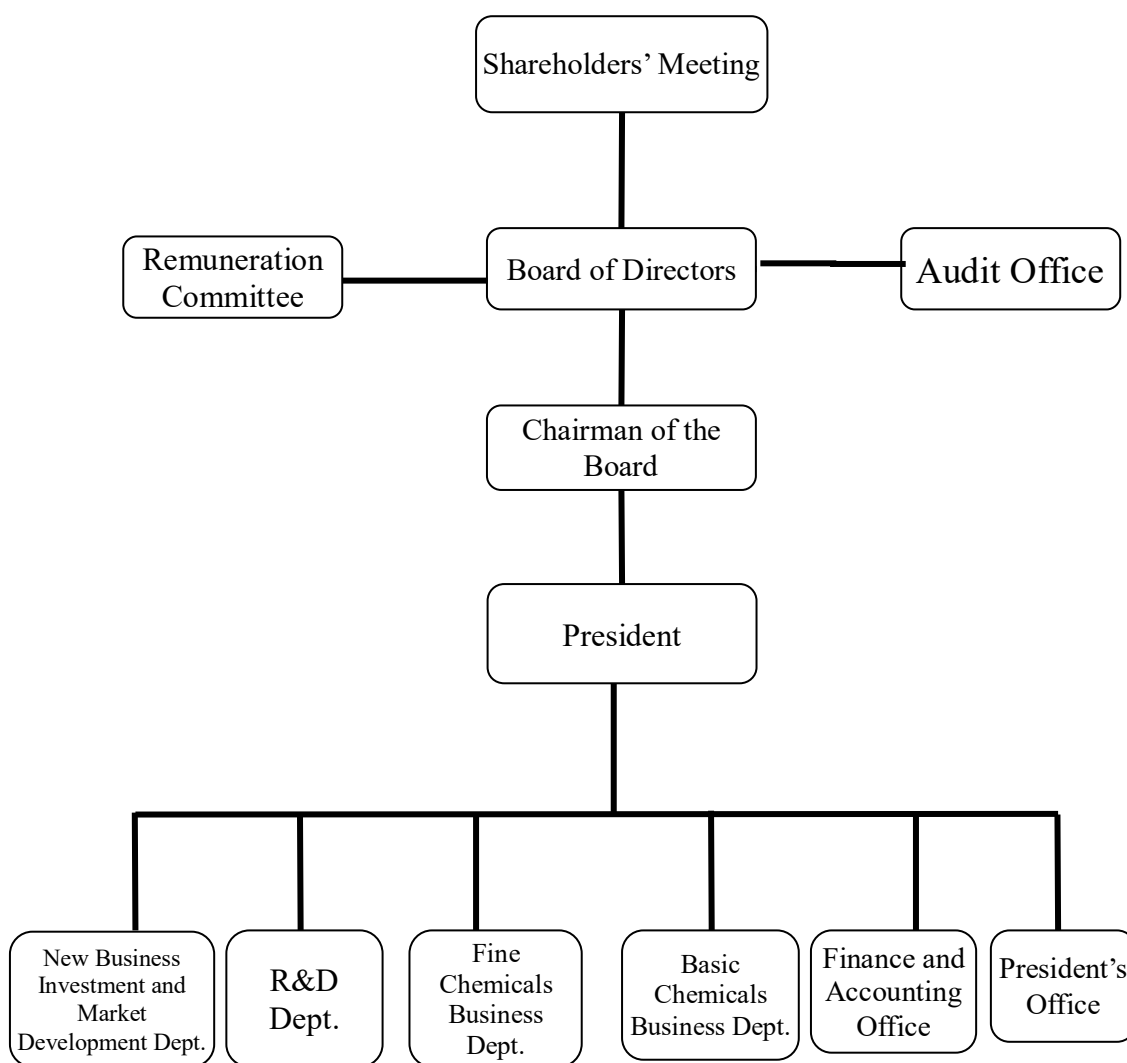
Year	Major Milestones
2003	Formally spun off from Air Products and Chemicals, Inc. to establish San Fu Chemical Co., Ltd.
	Capital increased by NT\$1,100 thousand in cash. Paid-in capital reaches NT\$201,100 thousand after receiving NT\$200,000 thousand transferred from the demerger.
2004	Capital increased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

Year	Major Milestones
2012	Hubei Xingfu Electronic Material Co., Ltd. purchases a stake in the joint venture San Fu Ming (Shanghai) Trading Co., Ltd.
	Construction of phase 1 of the Liuying specialty chemicals plant
	Applies for public offering and registers to be listed on TPEX
	Reinvestment in Huizhou San Fu Ming Electronic Material Co., Ltd.
2013	San Fu Ming Electronic Material Co., Ltd. increases capital by US\$1,500 thousand in cash
	Reinvestment in Chongqing San Fu Ming Electronic Material Co., Ltd.
	Formally listed on the Taiwan Security Exchange (TWSE)
	Capital increase by NT\$80,000 thousand in cash. Paid-in capital reaches NT\$880,000 thousand after capital increase.
2014	Construction of phase 2 and 3 of the Liuying specialty chemical plant.
	Paid-in capital reached NT\$892,220 thousand due to exercise of NT\$12,220 thousand in employee stock options.
2015	NT\$5,970 thousand in employee stock options exercised raising paid-in capital to NT\$898,190 thousand.
	Established subsidiary San Fu Biotech Co., Ltd.
2016	NT\$7,580 thousand in employee stock options exercised raising paid-in capital to NT\$905,770 thousand.
	Reinvestment in Angstrom Energy Company
	Reinvestment in Vietnam Xiangyun Corp.
2017	NT\$1,290 thousand in employee stock options exercised raising paid-in capital to NT\$907,060 thousand.
	Received bronze medal in the traditional manufacturing category of the 2017 Taiwan Corporate Sustainability Awards (TCSA)
2018	Received bronze medal in the traditional manufacturing category of the 2018 TCSA Awards
	Received circular economy results award at the Taiwan Chemistry Technology Industry Youth and New Product Awards.
	Established and invested in Vietnam subsidiary
2019	Won third prize at the Taiwan Circular Economy Awards.
2020	Reinvested in Global Graphene Group.

### VIII.III. Corporate Governance

#### 1. Organizational System

##### (1) Organizational Structure



(2) Major Corporate Functions

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

2. Directors and Management Team  
(1) Directors and Supervisors

A. Director and Supervisor Information

Apr 15, 2021

Title	Nationality or Place of Incorporation	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Positions Concurrently Held at the Company or Other Companies	Executives, Directors or Supervisors who are Spouses or within Two Degrees of Kinship	
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name
Chairman	Taiwan	Wu Xin-Hong	Male	06/14/2018	3 years	08/23/2006	3,421,750	3.77	3,680,010	3.65%	—	—	—	—	Director International Nitto Technology Co., Ltd. Director, Hong Cheng Enterprise Corp. Director, Li Fu Carbonic Acid Corp. Director, San Fu Global Ltd. Director, Fangda Investment Corp. Director, Beimin Corp. Chairman, San Fu Biotech Co., Ltd.	—	—	—
Director	Taiwan	Cai Jie-Rong	Male	06/14/2018	3 years	06/22/2017	—	—	—	—	28,293	0.03	—	—	Chairman, International Nitto Technology Co., Ltd. President, San Fu Biotech Co., Ltd. Director, San Fu Biotech Co., Ltd.	—	—	—
Juristic-person Director	Taiwan	San Fu Global Ltd. Representative Zhang Chun-Ming	Male	06/14/2018	3 years	10/22/2012	22,116,689	24.38	24,067,315	23.90	—	—	—	—	Chairman, San Fu Global Ltd. Director, Air Products and Chemicals, Inc. Chairman, Fangda Corp.	—	—	—
Director	Taiwan	Su Tian-Bao	Male	06/14/2018	3 years	10/22/2012	326,000	0.36	354,752	0.35	—	—	—	—	Director, International Nitto Technology Co., Ltd. Director, San Fu Biotech Co., Ltd. Director, Shanghai San Fu Ming Electronic Materials Co., Ltd.	—	—	—

Title	Nationality or Place of Incorporation	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Positions Concurrently Held at the Company or Other Companies	Executives, Directors or Supervisors who are Spouses or within Two Degrees of Kinship	
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Relation
Director	Taiwan	Zhang Yi-Zong	Male	06/14/2018	3 years	04/18/2011	255,341	0.28	277,861	0.28	—	—	—	—	BA in Marketing & Economics, Babson College Marketing Manager at WOW Alimentos	Chairman, Real Green Foods Corporation Director, Fangda Corporation Director, Fangehun Trading Corporation Director, Xuanmen Corporation Director, Jinmingcheng Corporation Director, Fulu Culture Foundation Director, San Fu Global Ltd.	—	—
Director	Taiwan	Wang Yao-Ming	Male	06/14/2018	3 years	04/18/2011	348,000	0.38	203,492	0.20	—	—	—	—	M.S. Chemical Engineering, National Cheng Kung University Virginia Tech MBA. Passed Chemical Engineering Senior Qualification Examination Vice President, Air Products and Chemicals, Inc.	—	—	—
Director	Taiwan	Liang Guo-Yuan	Male	06/14/2018	3 years	10/22/2012	0	0%	0	0	—	—	—	—	Ph.D. Economics, Duke University Honorary Professor, School of Science and Technology Management, National Tsinghua University Professor of Economics, Tsinghua University Adjunct Professor, Department of Economics, National Taiwan University Standing Independent Director of Changhua Bank	Chairman, Yuanfa-Polaris Research Institute Independent Director, Chang Hua Commercial Bank Ltd.	—	—
Independent Director	Taiwan	Li Zhong-Xi	Male	06/14/2018	3 years	10/22/2012	0	0	0	0%	—	—	—	—	Ph.D. Illinois Institute of Technology MBA University of Chicago Harvard University Accelerated Business Administration Course completion	Chairman, Quark Biosciences, Inc. Independent Director, Far Eastern New Century Corporation Director, Zhen Ding Tech. Inc. Chairman, Personal Genomics Taiwan Inc. Independent Director,	—	—

Title	Nationality or Place of Incorporation	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Positions Concurrently Held at the Company or Other Companies	Executives, Directors or Supervisors who are Spouses or within Two Degrees of Kinship	
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Relation
Independent Director	Taiwan	Wu Dong-Ming	Male	06/14/2018	3 years	06/24/2013	0	0	0	0%	—	—	—	—	Everlight Electronics Co., Ltd. Director, Taiwan Hopax Chemicals Mfg. Co., Ltd.			
Juristic-person Supervisor	Malaysia	Pilot Keymark SDN. BHD. Representative Zhong Su-Sheng	Male	06/14/2018	3 years	10/22/2012	19,929,000	21.97	19,929,000	19.79	—	—	—	—	Chairman, Taiwan Fuhbic Corporation Vice Chairman, Shinkong Synthetic Fibers Corporation Chairman, Xinming Enterprise Corporation Chairman, Xinli Enterprise Corporation Director, Shin Kong Life Insurance Co., Ltd. Independent Director, Tairoun Products Co., Ltd.			
Supervisor	Taiwan	You Sheng-Fu	Male	06/14/2018	3 years	04/18/2011	0	0	0	0	—	—	—	—	Independent Director, ASE Technology Holding Co., Ltd. Supervisor, Dynapack International Technology Corporation Director, Arima Communications Corp.			
Supervisor	Taiwan	Huang Ming-Fu	Male	06/14/2018	3 years	04/18/2011	0	0	0	0	—	—	—	—	Accounting Department, Soochow University Independent Director, Alpha Networks Inc. Independent Director, Solartech Energy Corp.			

## 2. Major Shareholders of Institutional Shareholders

April 18, 2021

Name of Institutional Shareholder	Major shareholders of Institutional Shareholders
San Fu Global Ltd.	Zhang Chun-Ming (20.68 %), Zhang Ya-Ping (3.9%), Fu Ah-Xi (0.3575%), Zhang Yi-Zong (5.14%), Chen Yi-Hui (0.49%), Zhang Ya-Qing (3.68%), Zhang Dan-Liang (20%), Zhang Xi-Wen (19.91%), Fang Hong-Yuan (11.71%), Zhang Chen Shu-Li (11.27%)
Pilot Keymark SDN. BHD.	Malaysia Faith (L)BHD(50%) 、 Taifaith (L)BHD(50%)

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

April 18, 2021

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

## 4. Professional Qualifications and Independence Analysis of Directors

## 4. Professional Qualifications and Independence Analysis of Directors

Name	Criteria	Meet one of the following professional qualification requirements, together with at least five years' work experience	Independence Criteria (note)												Number of other public companies in which the Individual is concurrently serving as an Independent Director		
			1	2	3	4	5	6	7	8	9	10	11	12			
Wu Xin-Hong		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who have passed a national examination and been awarded a certificate in the profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	—	—	—	—	—	V	V	V	V	V	V	—	
San Fu Global Ltd.				V	—	—	—	—	—	V	V	V	V	V	V	—	—

company representative: Zhang Chun-Ming																	
Cai Jie-Rong	—	—	V	—	—	V	V	V	V	V	V	V	V	V	V	V	—
Su Tian-Bao	—	—	V	—	—	V	V	V	V	V	V	V	V	V	V	V	—
Zhang Yi-Zong	—	—	V	V	—	V	—	V	V	V	—	V	—	V	V	—	
Wang Yao-Ming	—	—	V	—	—	V	V	V	V	V	V	V	V	V	V	V	—
Liang Guo-Yuan	—	—	V	V	V	V	—	V	V	V	V	V	V	V	V	V	—
Li Zhong-Xi	V	—	V	V	V	V	V	V	V	V	V	V	V	V	V	V	2
Wu Dong-Ming	—	—	V	V	V	V	V	V	V	V	V	V	V	V	V	V	1
Pilot Keymark SDN. BHD Representative: Zhong Su-Sheng	—	—	V	V	—	V	V	V	V	V	V	V	V	V	V	—	—
You Sheng-Fu	—	V	V	V	—	V	V	V	V	V	V	V	V	V	V	V	1
Huang Ming-Fu	—	—	V	V	—	V	V	V	V	V	V	V	V	V	V	V	2

Note 1: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office:

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

## (2) Management Team

April 18, 2021

Title	Nationality	Name	Gender	Date Appointed	Shareholding		Spouse and Minor Children Shareholding		Shares by Nominee Arrangement		Experience and Education	Positions Concurrently Held at the Company or Other Companies	Executives, Directors or Supervisors who are Spouses or within Two Degrees of Kinship	
					Shares	%	Shares	%	Shares	%			Title	Name
President	Taiwan	Cai Jie-Rong	Male	05/01/2017	—	—	28,293	0.03	—	—	Chairman, International Nitto Technology Co., Ltd. President, San Fu Biotech Co., Ltd. Director, San Fu Biotech Co., Ltd.	—	—	
Basic Chemicals Division Vice President	Taiwan	Su Tian-Bao	Male	03/01/2007	354,752	0.35	—	—	—	—	Ph.D. Chemical Engineering, National Taiwan University Asst. Vice President, San Fu Chemical Co., Ltd.	—	—	
Vice President	Taiwan	Wang Yao-Ming (Note)	Male	01/01/2009	203,492	0.20	—	—	—	—	M.S. Chemical Engineering, National Cheng Kung University Virginia Tech MBA. Passed Chemical Engineering Senior- Qualification Examination Vice President, Air Products and Chemicals, Inc.	—	—	
Equipment & Materials Department Asst. Vice President	Taiwan	Huang Jun-Yin	Male	03/01/2007	459,942	0.46	—	—	—	—	M.S. Chemistry, National Tsing Hua University Special Assistant to the President, Air Products and Chemicals, Inc.	—	—	
Fine Chemical Division Asst. Vice President	Taiwan	Zhuang Fu-Qin	Male	07/06/2017	2,176	0	—	—	—	—	M.S. Structural Material Group, Civil Engineering, National Cheng Kung University Asst. Manager, Materials Division, Innolux Corporation	Director, Shanghai San Fu Ming Electronic Materials Co., Ltd.	—	
Financial and Accounting Office Asst. Manager	Taiwan	Xie Ming-Zhi	Male	03/01/2019	0	0	—	—	—	—	Accounting Department, National Cheng Kung University M.A. Accounting, National Chengchi University TPK Finance Director and CEO Office Director Innolux Corporation Accounting Supervisor, San Fu Biotech Co., Ltd.	Supervisor, Shanghai San Fu Ming Electronic Materials Co., Ltd. Supervisor, Hong Cheng Enterprise Corp. Director, International Nitto Technology Co., Ltd.	—	—

Title	Nationality	Name	Gender	Date Appointed	Shareholding		Spouse and Minor Children Shareholding		Shares by Nominee Arrangement		Experience and Education	Positions Concurrently Held at the Company or Other Companies	Executives, Directors or Supervisors who are Spouses or within Two Degrees of Kinship	
					Shares	%	Shares	%	Shares	%			Title	Name
											Office Director			
President's Office Asst. Manager	Taiwan	Chen Jie-Yu	Male	03/01/2019	420,000	0.42	—	—	—	—	M.A. Accounting, National Cheng Kung University Special Assistant to the President, Air Products and Chemicals, Inc.	General Manager, Air Products and Chemicals, Inc. (Viet) General Manager, Sanfu Electronic Materials Co., Ltd. (Viet)	—	—
Asst. Manager	Taiwan	Dai Qin-Yao	Male	01/18/2018	10,881	0.01	—	—	—	—	M.S. Chemical Engineering, National Taiwan University	—	—	—

Note: Retired in February 2021

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

#### 1. Remuneration of Directors and independent directors

Unit: Thousand NT\$/Thousand shares

Title	Name	Compensation				Relevant remuneration received by directors who are also employees						Percentage of total remuneration A, B, C and D of net income (%)		Percentage of total compensation A, B, C, D, E, F and G of net income (%)		Compensation paid to directors from an invested company other than a company subsidiary							
		Base Compensation (A)		Severance and pension payments (B) (note 1)		Director's remuneration (C)		Allowances (D)		Salary, bonuses and allowances (E)		Severance and pension payments (F)		Employee remuneration (G)			Exercisable employee stock options (H)	No. of restricted stock awards obtained					
		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	Cash	Stock	The company	All consolidated entities				The company	All consolidated entities			
Chairman	Wu Xin-Hong Representative of San Fu Global Co., Ltd. Zhang Chun-Ming	8,002	8,002	--	--	6,490	6,490	1,440	1,440	15,265	15,265	1,230	1,230	--	--	--	--	8.12	8.12	0.44	0.44	Nil	
Director	Tsai Jie-Rong Su Tian-Bao Zhang Yi-Zong Wang Yao-Ming Liang Guo-Yuan	--	--	--	--	1,623	1,623	140	140	--	--	--	--	--	--	--	--	--	--	--	--	--	Nil
Independent Director	Li Zhong-Xi	--	--	--	--	1,623	1,623	140	140	--	--	--	--	--	--	--	--	--	--	--	--	--	Nil
Independent Director	Wu Dong-Ming	--	--	--	--	1,623	1,623	140	140	--	--	--	--	--	--	--	--	--	--	--	--	--	Nil

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

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

### Director Remuneration Brackets

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

(2) Supervisor Remuneration

Unit: Thousand NT\$

Title	Name	Supervisor Remuneration						Percentage of total compensation A, B and C of net income (%)		Compensation paid to directors from an invested company other than a company subsidiary
		Compensation (A)		Compensation from Earnings Distribution (B)		Allowances (C)		The company	All consolidated entities	
		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities			
Supervisor	Pilot keymark SDN. BHD Representative: Zhong Shu-Shen	--	--	2,434	2,434	130	130	0.64	0.64	—
Supervisor	You Sheng-Fu									
Supervisor	Huang Ming-Fu									

**Remuneration Brackets**

Brackets	Names of Supervisors	
	Total of A+B+C	
	The company	All consolidated entities
Under NT\$1,000,000	Zhong Su-Sheng, You Sheng-Fu, Huang Ming-Fu	Zhong Su-Sheng, You Sheng-Fu, Huang Ming-Fu
NT\$1,000,000~NT\$2,000,000	—	—
NT\$2,000,000~NT\$3,500,000	—	—
NT\$3,500,000~NT\$5,000,000	—	—
NT\$5,000,000~NT\$10,000,000	—	—
NT\$10,000,000~NT\$15,000,000	—	—
NT\$15,000,000~NT\$30,000,000	—	—
NT\$30,000,000~NT\$50,000,000	—	—
NT\$50,000,000~NT\$100,000,000	—	—
Above NT\$100,000,000	—	—
Total	3 persons	3 persons

## 2. President and Vice President Remuneration in 2020

### (1) President and Vice President Remuneration

Unit: Thousand NT\$ / Thousand shares

Title	Name	Salary (A)		Severance Pay (B) (Note 1)		Bonuses and Allowances (C)		Employee Remuneration (D)		Percentage of total compensation A, B, C and D of net income (%)		Exercisable employee stock options (H)		No. of restricted stock awards obtained		Compensation from an invested company other than a company subsidiary	
		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities		
President	Tsai Jie-Rong																
Vice President	Wang Yao-Ming	9,409	9,409	733	733	4,710	4,710	—	—	3.72	3.72	—	—	—	—	—	—
Vice President	Su Tian-Bao																

### Compensation Brackets

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

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

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

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

Unit: Thousand NT\$

Director, supervisor and executive management compensation		2020	2019
The company	Compensation amount	36,754	30,449
	As a % of net profit	9.2%	9.38%
All consolidated entities	Compensation amount	36,754	30,449
	As a % of net profit	9.2%	9.38%

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

The remuneration of directors and supervisors includes the remuneration of directors for the company's transportation expenses and earnings distribution, in which the payment standard of transportation expenses is based on the level of the same industry and the attendance of directors and supervisors at the board of directors; in addition, the remuneration of directors for the company's earnings distribution is based on the provisions of Article 28 of the company's articles of association, and the remuneration of directors for the current year can be calculated within the limit of no more than 3% of the profit for the current year, taking into account the company's operating results and considering the company's corporate interests. The company's performance contribution shall be reasonably remunerated; the general manager's remuneration policy shall be based on the company's performance evaluation objectives and variable bonus. In addition to reference to the company's overall operating performance, industrial future operating risks and plant public safety, the company shall also refer to the individual's achievement rate of performance and contribution to the company's performance to give reasonable remuneration, relevant performance evaluation and remuneration. The reasonableness has been reviewed and approved by the Remuneration Committee and the board of directors, and the remuneration system has been reviewed from time to time according to the actual business situation and relevant laws and regulations, so as to achieve a balance between the company's sustainable operation and risk control.

### 3. Corporate Governance

#### (1) Board of Directors Operation

1. The Company's Board of Directors met a total of four times in 2020 and there was at least one independent director in attendance at each meeting. Director attendance was as follows:

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

Independent Director Attendance in 2020 was as follows:

2020	First	Second	Third	Fourth
Li Zhong-Xi	@	@	@	@
Wu Dong-Ming	@	@	@	@

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

#### 2. Targets for Strengthening Board Functions and Implementation Assessment:

San Fu Chemical Company believes that a sound and effective board of directors serves as the foundation of excellent corporate governance. Based on this principle, the Company has established a Remuneration Committee to assist the board of directors in carrying out its responsibilities. Refer to item (3) p.22, Board of Directors composition and responsibilities.

#### 3. Other Mentionable Items

(1) Securities and Exchange Act 14-3 resolutions: :

Meeting Dates	Resolutions	Any Independent Director Having a Dissenting Opinion or Qualified Opinion

02/26/2021 (12 <sup>th</sup> meeting of seventh term)	<ul style="list-style-type: none"> <li>▲ Ratification of the Company's 2020 parent company-only financial statement and consolidated financial statement of the parent company and subsidiaries.</li> <li>▲ The Company's 2020 statement of surplus allocation.</li> <li>▲ The Company's 2020 internal control system design and implementation effectiveness</li> <li>▲ Proposal to increase and continue to provide endorsement guarantee credit lines to its subsidiary</li> <li>▲ Proposed increase of capital loan and credit limit for subsidiary</li> <li>▲ Intended to participate in the cash capital increase case of the subsidiary</li> <li>▲ The Company's 2020 employee remuneration and chairman and director remuneration allocation</li> </ul>	Approved and passed by all independent directors in attendance
05/05/2021 (13 <sup>h</sup> meeting of seventh term)	<ul style="list-style-type: none"> <li>▲ Proposed new capital increase loan and quota for subsidiaries</li> <li>▲ Amend the Company's internal control and internal audit operating procedures and other operating procedures</li> </ul>	

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

BOD Date	Name of Director	Proposal	Reason for Recusal
08/06/2020 (10 <sup>th</sup> meeting of seventh term)	President Cai Jie-Rong and Chairman Wu Xin-Hong	Bonus allocation to the company president and chairman.	Chairman Wu Xin-Hong and President Cai Jie-Rong excluded themselves from the deliberations and the vote of the above proposal.
02/26/2021 (12 <sup>th</sup> meeting of seventh term)	President Cai Jie-Rong and Chairman Wu Xin-Hong	<ol style="list-style-type: none"> <li>1. Performance evaluation targets and bonus changes for the company's president and chairman</li> <li>2. Bonus allocation to the company president and chairman.</li> </ol>	Chairman Wu Xin-Hong and President Cai Jie-Rong excluded themselves from the deliberations and the vote of the above proposal.

(3) Board of Directors evaluation implementation status

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	2020.01.01~2020.12.31	Board of Directors	Self-evaluation of Board of Directors	<ol style="list-style-type: none"> <li>1. Degree of participation of the company's operation.</li> <li>2. Quality of decision made by the Board of Directors</li> <li>3. Formation and Structure of the Board of Directors</li> <li>4. Selection and continual education of directors</li> <li>5. Internal control</li> </ol>
		Individual Directors	Self-evaluation of Directors	<ol style="list-style-type: none"> <li>1. Company goal and mission handling</li> <li>2. Recognition of directors' responsibilities</li> <li>3. Degree of participation of the company's operation</li> <li>4. Internal relationship operation and communication</li> <li>5. Directors' professional and continual</li> </ol>

				education 6.Internal control
		Functional Committees	Self-evaluation of Functional Committees	1. Degree of participation of the company' s operation 2.Recognition of responsibilities of functional committees 3. Quality of decision making of functional committees 4. Formation and member selection of functional committees 5.Internal control

(4) Independent director recusal due to conflict of interest: None

(5) Summary of the communication between independent directors, internal audit supervisors and CPAs(once a year): Please refer to the following:

Meeting	Communication with the internal audit supervisor and CPAs
12/28/2020 Communication meeting	1. In the communication of key audit matters in the audit report of the accountant in 2020, the independent director has no opinion on the content of the proposal put forward by the accountant. 2. The independent director has no opinion on the content of the financial report.

(2) Information on the Function of the Audit Committee or Supervisor Participation in the Operation of the Board of Directors:

The Company's Board of Directors met a total of 4 times in 2020. Supervisor attendance was as follows:

Title	Name	Attendance in Person (B)	Attendance rate (%) (B/A)	Remarks
Supervisor	Pilot Keymark SDN.BHD. Representative - Zhong Su-Shen	4	100.00	
Supervisor	You Sheng-Fu	3	75.00	
Supervisor	Huang Ming-Fu	4	100.00	
<p>Other mentionable items:</p> <p>1. Supervisor composition and duties: Responsible of implementation of those supervisor duties stipulated in relevant laws.</p> <p>(1) Communication between supervisors, company employee and shareholders: Supervisors have e-mail addresses for communication to allow communication with company employees and shareholders.</p> <p>(2) Communication between supervisors, internal audit supervisors and CPAs:</p> <p>A. The audit unit submits the audit report to the supervisors and the audit supervisor attends the BOD meeting.</p> <p>B. CPAs held a communication meeting with the supervisors during the annual financial report audit period and there were no differences of opinion.</p>				

2. If any opinions are stated by the supervisors attending the BOD meeting, the date, term, agenda, directors resolution result and how the company handled the opinions stated by the supervisors should be clearly stated: N/A

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

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

Assessment	Implementation Status		Deviations from Best Practice Principles and the reasons why
	Yes	No	
<p>affiliates?</p> <p>(4) Does the Company set up internal procedures to prohibit company internal personnel from using undisclosed information from the market to buy or sell securities?</p>	✓		
<p>3. Composition and responsibilities of the Board of Directors</p> <p>(1) Does the Board of Directors develop and implement a diversity policy for organization members?</p>	✓		<p>(1) Still no female directors.</p>
	✓		<p>(1) Diversified principle: A candidate nomination system is used for the nomination and selection of board members and the Director, Supervisor Selection Procedure and Corporate Governance Best Practice Principles are followed to verify the suitability, diversity and independence of each member. Stakeholder opinions are also taken into consideration.</p> <p>The Company's seventh term board members have extensive operation, management, leadership, decision-making and relevant industry knowledge but there are no female directors. Education backgrounds include legal, financial, economic and sales. See note 1 for diversity policy implementation status.</p> <p>(2) Implementation situation: In consideration of 9 directors on the seventh term, 33% of the directors are employees of the company, 22% are independent directors, No directors are female, and the tenure of two independent directors is 6-7</p>

Assessment	Implementation Status		Deviations from Best Practice Principles and the reasons why
	Yes	No	
(2) Other than the Remuneration Committee and Audit Committee which are required by law, does the company plan to set up other board committees?		✓	(2) Besides the Salary and Remuneration Committee, no other functional committees have been set up by the Company.
(3) Does the Company develop a performance evaluation procedure and other evaluation methods for the board of directors? Are regular performance evaluations conducted?	✓		(3) The company has formulated the performance evaluation method of the board of directors and its evaluation method, and is expected to report the results of the performance evaluation to the board of directors in Feb. 2021. In the future, it will be reported to the board of directors on a regular basis every year, and will be used as a reference for individual directors' remuneration and nomination for renewal.
(4) Does the company regularly evaluate its external auditor's independence?	✓		(4) The Company conducts an evaluation of CPA independence at least once per year. The evaluation includes direct or significant indirect financial interest or relationship between the CPA and the Company, previously or currently serving as company director, supervisor, management, a position which has a major influence on the audit or a position with management duties involving corporate decision-making. The CPAs and CPA firm are asked to submit Independence Statements. The president decided to pass the CPA independence evaluation based on the evaluation results
			(4) No significant deviation

Assessment	Implementation Status		Deviations from Best Practice Principles and the reasons why
	Yes	No	
<p>4. Does the company establish a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, handling matters relating to board meetings and shareholders' meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders meetings, etc.)</p>		<p>✓</p>	<p>The company has not set up a director of corporate governance.</p>
		<p>on February 26, 2021.</p> <p>The Company has already assigned the Financial and Accounting Office to be responsible for matters related to corporate governance, safeguarding shareholder rights and strengthening BOD functions. Their main responsibilities are providing the resources needed for the directors and supervisors to perform their duties and developing the latest regulations related to company operations to assist the directors, supervisors obey laws and regulations. The following duties are performed:</p> <ol style="list-style-type: none"> <li>1. Arrange at least 6 credit hour of home continuing education courses for board members.</li> <li>2. Convene non-regular communication meetings with CPAs, independent directors, audit and financial supervisors to implement the internal audit system.</li> <li>3. Draft BOD agenda and notify directors 7 days prior to the meeting, convene meeting and provide meeting information. Give advance reminder if it is recusal is necessary and complete BOD meeting minutes within 20 days after the meeting is convened.</li> <li>4. Hold registration before the shareholders' meeting date in accordance with law, prepare the shareholders' meeting notice, meeting handbook and within the legally stipulated time limit and meeting minutes and change registrations after article amendments or director elections.</li> </ol>	

Assessment	Implementation Status		Deviations from Best Practice Principles and the reasons why
	Yes	No	
5. Does the company establish a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, etc.), set up a dedicated section in its website for stakeholders and properly responded to key corporate social responsibility matters that stakeholders are concerned about?	✓		A dedicated stakeholder section has been set up for the Company's website to provide a means of communication for stakeholders. Dedicated personal provide appropriate replies to major corporate social responsibility issues that stakeholders are most concerned about.
6. Does the Company commission a dedicated stock affairs agency to handle shareholder matters?	✓		The Company has commissioned the Stock Affairs Department at First Securities Inc. to handle shareholder matters.
7. Information disclosure (1) Does the company establish a company website to disclose information regarding its financials, business and corporate governance status? (2) Does the company use other information disclosure channels (e.g. maintaining an English language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investor conference etc.?) (3) Does the company announce and report the	✓  ✓		(1) The Company has established a website to disclose information regarding its financial, business and corporate governance status. Refer to <a href="http://www.sfchem.com.tw">www.sfchem.com.tw</a> . (2) The Company has designated personnel to handle significant information disclosures, appointed a spokesperson in accordance with the law and posts information on the MOPS and the company website in accordance with regulations. (3) The company has not announced the financial report

Assessment	Implementation Status		Deviations from Best Practice Principles and the reasons why
	Yes	No	
<p>annual financial report within two months after the end of the fiscal year, and announce and report the first, second and third quarter financial reports and the operation of each month in advance within the required period?</p>			
<p>8. Does the company disclose other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, director and supervisor training records, the implementation of risk management policies and risk measurement criteria, the implementation of customer policy, and purchasing insurance policies for directors)?</p>	<p>✓</p>	<p>1. Employee rights and wellness: The company has made a strong effort to create a healthy and safe work environment for its employees. Besides implementation of a pension system and providing year-end bonuses, the legal rights of employees are upheld in accordance with the Labor Standards Act and other relevant laws and regulations. Due care is taken when processing employee basic information. In addition to following the requirements under government law, the private personal information of employees may not be disclosed. Annual health exams for employees are arranged. Labor relations are emphasized to provide equal employment opportunities.</p> <p>2. Investor relations: The Company has set up a stock affairs office solely responsible for handling investor relations and shareholder recommendations and truthfully disclosing company information in accordance with the law to guarantee the basic interests of investors and fulfill its corporate responsibilities to its shareholders.</p> <p>3. Supplier relations:</p>	<p>No significant deviation</p>

Assessment	Implementation Status		Deviations from Best Practice Principles and the reasons why
	Yes	No	
		<p>Smooth communication channels have been set up between the Company and its suppliers and good relations have been maintained.</p> <p>4. Stakeholder rights: There are smooth communication channels between the Company and its correspondent banks and other creditors, employees, customers, suppliers and other related stakeholders and respect their due legal rights. The Stock Agency Department at the First Securities Inc. is the stock affairs agent for the Company and assists with handling questions and suggestions of shareholders and company stakeholders. If legal issues are involved, a dedicated lawyer or legal consultant will be appointed to handle the matter to uphold stakeholder interests.</p> <p>5. Director and supervisor continuing education: The Company's directors and supervisors possess professional expertise. Directors and supervisors complete continuing education courses in focus areas. In addition, the Company provides information about continuing education as needed and posts it on MOPS in accordance with regulations.</p> <p>6. Risk management policy and risk measurement standard implementation: As of now, the Company has not yet set up dedicated unit to perform risk management and measurement work. However, authority for review various forms has been determined and departments perform this work in accordance with procedures. An audit unit has been set up to conduct regular and non-regular</p>	

Assessment	Implementation Status		Deviations from Best Practice Principles and the reasons why
	Yes	No	
		<p>audits of the Company's internal controls and submit reports to reduce operation risk to a minimum.</p> <p>7. Customer policy implementation: The Company has established a marketing department to provide customers with product service, answer questions and maintain smooth communication channels with customers. The requirements set down by the customer are strictly followed, customer rights are protected and excellent relations are maintained.</p> <p>8. Purchase of liability insurance for the Company chairman and president: The Company has purchased liability insurance for the chairman and president and the insured amount, coverage and insurance rate is reported to the board of directors.</p>	
		<p>9. State the improvements made as a result of the Corporate Governance Evaluation conducted by the TSWE Corporate Governance Center and priority improvement items and measures submitted where improvements have yet to be made. The following improvements have been made this year in response to the current corporate governance evaluation results:</p> <ol style="list-style-type: none"> <li>1. Announce and report the English interim financial reports of the first, second and third quarters.</li> <li>2. Establish the policies for energy saving and carbon reduction, greenhouse gas reduction, water reduction or other waste management.</li> <li>3. Refer to international human rights treaties to formulate the policies for human rights protection and specific management plans.</li> <li>4. Disclose the appointment and dismissal, evaluation, salary and remuneration of internal auditors and report to the board of directors</li> </ol>	

Note 1: Requisite abilities of board members

Core diversity items Name of Director	Gender	1	2	3	4	5	6	7	8
		Operation judgment	Business Management	Financial /Accounting	Commerce economy	Crisis Handling	Industry Knowledge	International Market Outlook	Leadership Decision-making
Wu Xin-Hong	Male	V	V		V	V	V	V	V
Zhang Chun-Ming	Male	V	V		V	V	V	V	V
Tsai Jie-Rong	Male	V	V		V	V	V	V	V
Su Tian-Bao	Male	V	V		V	V	V	V	V
Wang Yao-Ming	Male	V	V		V	V	V	V	V
Zhang Yi-Zong	Male	V	V		V	V	V	V	V
Li Zhong-Xi	Male	V	V	V	V	V	V	V	V
Wu Dong-Ming	Male	V	V	V	V	V	V	V	V
Liang Guo-Yuan	Male	V	V	V	V	V	V	V	V

(4) Remuneration Committee Composition, Responsibilities and Operation:

(1) Information on remuneration committee members

Identity (Note 1)	Name	Condition	Meet one of the following professional qualification requirements, together with at least five years of work experience	Independent Criteria (Note 2)										Number of other public companies in which the Individual is concurrently serving as an Independent Director	Remark		
				1	2	3	4	5	6	7	8	9	10				
Independent Director	Li Zhong-xi	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	2	
Independent Director	Wu Dong-ming	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	1	
Other	Yang Hong-Zhi	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	0	

Note 1: For identity, fill in director, independent director or other.

Note 2: Please tick the corresponding boxes if members have been any of the following during the two years prior to being elected or during the term of office:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Securities and Exchange Act of Taiwan or with the laws of the country of the parent company or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a manager listed in (1), a spouse, a relative within the second degree of kinship, or a lineal relative within the third degree of kinship as listed in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings, or a person assigned according to the regulation as set forth by Article 27 (1) or (2) of the Company Act (excluding independent directors of the company and its parent company, a subsidiary or a subsidiary of the same parent company established in accordance with this law or local laws and regulations.)
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company. (excluding independent directors of the company and its parent company, a subsidiary or a subsidiary of the same parent company established in accordance with this law or local laws and regulations.)
- (7) Not a director or supervisor of other companies or institutions who are not the same person or spouse as the chairman, general manager or equivalent positions of the company, or employees (excluding independent directors of the company and its parent company, a subsidiary or a subsidiary of the same parent company established in accordance with this law or local laws and regulations.)

(8) Not a director, supervisor, manager or shareholder holding 5% or more of the share of a specified company or institution who has a financial or business relationship with the Company. (excluding independent directors of the company and its parent company, a subsidiary or a subsidiary of the same parent company established in accordance with this law or local laws and regulations, and the specified company or institution holds more than 20% and not greater than 50% of the total issued shares of the company.)

(9) Not a commercial, legal, financial, or accounting professional individual who provides auditing to the Company or to any affiliate of the Company or receives a remuneration of an accumulated amount of NT\$500,000 in the last two years for services and consultation, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution or a spouse thereof (excluding remuneration committee members, public merge review committee members, and special merge and acquisition committee members who exercise their powers according to the related laws and regulation as set forth in the Securities Exchange Act or Mergers and Acquisitions Act.

(10) Not a person meeting any of the conditions stipulated in Article 30 of the Company Act.

## (2) Operation Status of the Remuneration Committee

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

2. The term of office for the current committee is: June 14, 2018 to June 13, 2021. The Committee held two meetings in 2020 (A) with the following attendance:

Title	Name	Attendance in person (B)	By proxy	Attendance Rate (%) (B/A)	Remark
Convener	Li Zhong-Xi	2	0	100	Re-elected on June 14, 2018
Committee member	Wu Dong-Ming	2	0	100	Re-elected on June 14, 2018
Committee member	Yang Hong-Zhi	2	0	100	Re-elected on June 14, 2018

Other mentionable items:

- Any suggestion of the Remuneration Committee which was not adopted or modified by the Board of Directors: None
- Any written or otherwise recorded resolution on which a member of the Remuneration Committee has a dissenting opinion or qualified opinion: None
- The Remuneration Committee meeting resolutions are described below: :

Date	Proposal	Resolution
08/06/2020	1. Review the Company's president and chairman 1H 2020 variable bonus issuance amount.	Passed
02/26/2020	1. Review the Company's 2020 employee remuneration, director and supervisor remuneration allocation amounts.	Passed
	2. To review the performance appraisal objectives of the general manager and the chairman of the board of directors of the company in 2021 and the proposal for changing bonus distribution.	Passed
	3. Review the Company's president and chairman 2H 2020 variable bonus issuance amount.	Passed

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

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

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
1. Does the company conduct risk assessment on environmental, social and corporate governance issues related to the company's operation in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓	N	<p><b>5 steps to identify major topics</b></p> <ol style="list-style-type: none"> <li>1. The CSR Implementation Committee of San Fu Chemical Company will identify 7 types of stakeholders through internal meetings, including customers, employees, government / competent authorities, suppliers / contractors, investors / shareholders, public associations and neighboring communities.</li> <li>2. Select relevant topics from the topics and standard disclosures of GRI Standards Guideline. According to the GRI Standards Guideline, define 3 principles for the content of the report, and rank the relevant topics.</li> <li>3. Select 24 sustainable related issues Collect feedback opinions and negotiation results from stakeholders of San Fu Chemical Co., and summarize major themes with major theme matrix</li> <li>4. The CSR Implementation Committee reconfirmed the 12 major themes analyzed, and evaluated and identified the major themes according to the GRI standards integrity principles. The integrity principle includes scope and topic boundaries, and defines impact boundaries for each major topic.</li> <li>5. Upon review of the major topics, in this report, we will disclose how the company has formulated relevant risk management policies or strategies for local or global economic, environmental and social development trends.</li> </ol>

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
2. Does the Company establish an dedicated (or semi-dedicated) unit? Have executive officers been authorized by the board of directors to handle these affairs and report the handling status to the board of directors?	✓		No significant deviation
		<p>The Company is currently organizing a CSR Promotion Committee to draft this report. The CSR Promotion Committee will be set up according to the company organization chart. The Chairman will head the committee and the Quality Assurance Section will be responsible for promotion and overall planning. Each major department will appoint one member each in charge of promotion and implementation. A total of 32 persons will serve on the committee.</p> <p>1. Information collection: The implementation members are responsible for the promotion of related issues and organizing information. The promotion members assist with checking the correctness and integrity of the information on each issue. Last, the information is submitted to the Quality Assurance Section for analysis and compilation.</p> <p>2. Communication: Committee members are distributed at various work sites throughout the company. Communication is regularly done by telephone or email.</p> <p>3. Regular reporting: The CSR committee is represented by the unit supervisors. The San Fu Chemical CSR Promotion Committee Vice Convener Cai Jie-Rong reported the sustainability performance, strategy and targets to the Board of Directors in February 2021.</p>	

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
<p>3. Environmental issues</p> <p>(1) Does the company establish appropriate environmental management system according to its industrial characteristics?</p>	✓		No significant deviation
<p>(2) Is the company committed to improving the utilization efficiency of resources and using recycled materials with low impact on environmental load?</p>	✓		<p>In addition to obtaining ISO14001 environment management certificate and fulfilling our environment policy commitments, greenhouse gas inventories and work environment 6S have been conducted for many years to strengthen environment and resource management. Dedication units have been set up responsible for air, water, waste and toxin management.</p> <p>The Company is not only dedicated to developing green technology products such as high-tech developing solution recover and reuse and technology for packaging recovery and reuse, but also strives to raise equipment efficiency and reduce resource consumption. The developer waste solution (TMAH waste solution) produced by the clients is recycled and reused by San Fu, and its quality is excellent. Our clients has used the recycled solution since 2011. To cope with the client's new factory construction, the recycled and reuse quantity continues to set record high, that changes the toxic solution TMAH into gold, and the total cumulative quantity of the reused product of the 25% TMAH is approximately 40,000 metric tons.</p> <p>The company uses the framework of climate related financial disclosure proposal (TCFD) issued by the international financial stability committee to identify the risks and opportunities brought by climate change to the business performance of San Fu chemical, and formulate response strategies for the identified issues.</p> <p>The company disclosed the greenhouse gas inventory and certificates in the past two years on the official</p>
<p>(3) Does the company assess the potential risks and opportunities of climate change for the enterprise now and in the future, and take measures to deal with climate related issues?</p>	✓		
<p>(4) Does the company make statistics of greenhouse gas</p>	✓		

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?			website, and in the CSR report, the company disclosed the greenhouse gas emissions, water consumption and total weight of waste, and monitored the greenhouse gas emissions to meet regulatory standards and measures to reduce water use.
4. Upholding social welfare (1) Does the company comply with relevant laws and regulations, and the International Bill of Human Rights and adopt relevant management policies and procedures?	✓		<p>1) The company follows the related labor laws and regulations of each business operating unit all over the world to protect the legal rights of the employees. The company agrees and supports international rights treaty including the United Nation's Universal Declaration of Human Rights, Global Covenant, International Labor Organization Convention and respect the international recognized basic human rights. The company establishes the human rights policy according to the guidelines of the aforementioned specifications, and maintains the human rights of full-time employees, part-time employees, and interns, and these human rights include (1) No discrimination (2) No violation of freedom for association and collective negotiation rights (3) No hiring of child labor, and (4) No forced or compulsory labor. Below are the local labor regulations that are followed by the Company and the communication measures taken for legal employees:</p> <p>1. When there is a major change in operations and labor conditions at the Company which will affect the employment rights of personnel, Article 16 of the Labor Standards</p>
			No significant deviation

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
<p>(2) Does the company establish and implement reasonable employee welfare measures (including compensation, vacation and other benefits), and properly reflect the operating performance or results</p>	✓	<p>Act is 100% followed to provide the minimum period of advance notice for termination of labor contracts in accordance with law.</p> <p>2. The Labor Pension Reserve Fund Supervisory Committees meets on a non-regular basis in accordance with Article 56 of the Labor Standards Act and may convene special meetings when necessary. Meeting content is focused on checking labor pension reserve allocation amounts, fund saving and utilization status and labor pension payment amounts.</p> <p>3. The Company has not yet established a union organization but regular meetings are held between labor and management for two-way communication and collective bargaining in accordance with government labor laws.</p> <p>Labor – management meetings are held on a non-regular basis in accordance with Article 83 of the Labor Standards Act and special meetings are convened when necessary to conduct two-way communication on labor-management cooperation, improvement of labor conditions and labor welfare planning .</p> <p>The company is fully responsible for the promotion and implementation of various employee welfare matters. At present, the main employee welfare measures are as follows:</p> <p>(1) Two days off a week, (2) competitive salary</p>	

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
in employee compensation?			level, (3) employee education and training, (4) wedding and funeral gifts, (5) employee health examination, (6) birthday and annual festival gifts, (7) employee travel, (8) hospital consolation and (9) employee proposal bonus. (10) Childcare allowance.
(3) Does the company provide safe and healthy work environments for employees and offer regular training on safety and health for employees?	✓		<p>(2) According to Article 28 of the company's articles of association, the employee's remuneration for the current year can be calculated within 1% - 3% of the profit of the current year, and reasonable remuneration and bonus can be given considering the company's operating results, employee performance appraisal and contribution to the company.</p> <p>The company has obtained ISO45001 certification, and has formulated complete management regulations on the use and wearing of protective equipment. When the chemicals that may cause environmental pollution or human inhalation hazards are used in subpackaging, there are isolation facilities. In areas where there is a risk of falling from high places, there are guardrails, enclosures and other relevant fall prevention facilities; To carry out 6S activities to continuously improve the working environment, safety and health</p>

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
			of employees in all factories. All of the above shows that the company attaches great importance to environmental safety and is committed to providing a safe and healthy working environment for employees. It conducts annual health examination for employees. It also provides consultation and management of health education for employees who may have physical and mental abnormalities.
(4) Does the company establish an effective career development training program for its employees?	✓		The company conducts performance evaluation every six months and relevant education and training in accordance with employee expectations and company requirements. Our products are labelled in accordance with relevant laws and regulations.
(5) Does the company follow relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant policies and complaint procedures to protect the rights and interests of consumers?	✓		The company has obtained ISO 45001 certification and established complete management regulations for the use and wear of protective gear; isolation facilities are provided for the use and repacking of chemicals that may cause environmental pollution or human inhalation hazards. Guardrails, guard fences and other related fall prevention facilities are provided in areas with the risk of falling from high places. The 6S activities are implemented to continuously improve the working environment, and the safety and health of personnel in each factory. All of the above shows that the company pays much attention to the environmental safety and

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
(6) Does the company have a supplier management policy that requires suppliers to follow relevant specifications and their implementation in environmental protection, occupational safety and health, labor rights and other issues?	✓	<p>is committed to provide employees with a safe and healthy working environment, conduct annual physical checkups on employees, and provide consultation and management of health education for employees who may be physically and mentally abnormal.</p> <p>Conduct regular audit on qualified suppliers, and conduct annual audit on new suppliers, suppliers with annual evaluation level C / D, major quality / environmental safety abnormalities, customer complaints, etc. Audit contents include: product quality, safety and health, environmental protection, labor human rights. Through annual supplier audit, we can better understand supply chain demand.</p>	
5. Does the company prepare corporate social responsibility reports and other reports that disclose the company's non-financial information in accordance with the international reporting standards or guidelines? Is the disclosure report confirmed or guaranteed by a third party certification unit?	✓	<p>This report is based on GRI Sustainability Reporting Standards (GRI standards), a global reporting initiative. At the same time, this report is the core option of GRI guidelines, with GRI content index attached.</p> <p>■ Financial data - the financial data disclosed in this report is from the consolidated financial report audited and certified by Deloitte Taiwan in accordance with international financial reporting standards (IFRS).</p> <p>■ Environmental / social data: the company has established and maintained the ISO 14001 environmental management system and OHSAS 18001 / TOSHMS occupational safety and health management system, which have been certified by the British Standards Institution (BSI) Taiwan Branch; the ISO 14064-1 greenhouse gas inventory standard,</p>	No significant deviation

Evaluation Items	Operation Status		Deviation with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the Reasons Why
	Y	N	
			<p>which has been certified by SGS Taiwan inspection technology.</p> <p>Product and service quality data - the company has established and maintained the ISO 9001 quality management system, which has been certified by the British Standards Institution (BSI) Taiwan Branch, ISO 22000 / HACCP food safety management system and Intertek Taiwan National Notary Inspection Company. In addition, the quality control laboratory has passed the certification of TAF ISO 17025 laboratory quality management system.</p>
6. For companies having developed independent corporate social responsibility practices in accordance with “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies,” please describe the discretion of operation with the independent practices developed. The Company has set up Corporate Social Responsibility Best Practice Principles. The current status of the Company, laws and regulations have been considered with respect to corporate social responsibility and implementation will be done in gradually manner so there is no significant deviation.			
7. Other critical information that helps understand the operation of corporate social responsibility: The Company continually promotes and implements environmental protection concepts, places importance on concern for society, assists disadvantaged groups in society, donates to foundations and provides scholarships for low-income and underprivileged Shan-Hua Elementary and Junior High School and college students.			

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

Assessment	Operation Status		Deviations with Ethical Corporate Management Best Practice Principles for TSWE/GTSM Listed Companies and the Reasons Why
	Y	N	
<p>1. Develop ethical management policies and programs</p> <p>(1) Does the company specify the policy and approach regarding ethical management on articles and outbound documents as well as the commitment from Board of Directors and management to implement management policy?</p> <p>(2) Does the company enact any prevention programs for unethical conduct and clearly define the procedures, conduct guidelines and the violation disciplinary and complaint system for each program for implementation?</p> <p>(3) Does the Company take any prevention measures for the items of the Article 7.2 of “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” or higher potential unethical conduct within other business activities?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>(1) The Company has set up an internal control system and various procedures to uphold its ethical corporate management policy and promotes the company’s ethical management beliefs at company conferences.</p> <p>(2) The Company has already set up its Ethical Corporate Management Procedure and Guidelines for Conduct.</p> <p>(3) The Company utilizes excellent corporate governance, risk control mechanisms and comprehensive internal guidelines to prevent unethical conduct from occurring and create environment for sustainable development at the Company.</p>	<p>No significant deviation.</p>
<p>2. Implementation of ethical management</p> <p>(1) Does the company assess the ethics records of business counterparties? Does the Company include business conduct and ethics related clauses in the business</p>	<p>✓</p>	<p>(1) The Company reviews its transactions with customers and suppliers on a non-regular basis and will consider cancelling its transactions if</p>	<p>No significant deviation.</p>

Assessment	Operation Status		Deviations with Ethical Corporate Management Best Practice Principles for TSWE/GTSM Listed Companies and the Reasons Why
	Y	N	
contracts?			
(2) Does the company set up a full-time (Part-time) unit under the board of directors to promote the integrity management of the enterprise, and regularly (at least once a year) report to the board of directors on its integrity management policy, prevention of dishonest conduct program and supervision of implementation?	✓		<p>there are any violations of ethical conduct.</p> <p>(2) The corporate integrity management full-time (Part-time) unit will plan online training courses in accordance with the "integrity management operation procedures and conduct guide", so as to integrate the integrity management value into the company's operation. In addition, it will regularly update and share cases with colleagues. In 2019, the cases are "Honghai senior collective rebate case" and " AUO procurement rebate case", and report its implementation to the board of directors once a year.</p>
(3) Does the Company establish policies to prevent conflicts of interest, provide appropriate communication channels and implement these policies?	✓		<p>(3) At present, the company has formulated "operation procedures and conduct guidelines for integrity operation". Employees who have doubts about their own conduct or work can present and discuss with the management department at any time.</p>
(4) Does the company establish effective accounting	✓		<p>(4) The company's auditors prepare the company's</p>

Assessment	Operation Status		Deviations with Ethical Corporate Management Best Practice Principles for TSWE/GTSM Listed Companies and the Reasons Why																				
	Y	N																					
<p>systems and internal control systems for the implementation of ethical management? Is compliance audited by an internal audit unit or entrusted CPA?</p> <p>(5) Does the Company regularly provide internal or external training courses on ethical corporate management?</p>	✓	<p>internal control self-assessment and annual audit plan in accordance with the regulations, and submit it to the supervisors and independent directors.</p> <p>(5) The company promotes to publicize the integrity management policy to all employees through the "training system electronic platform", and updates the "integrity management" teaching material every year, so as to improve the integrity management awareness of colleagues. The training achievement rate is 100%, and 51 employees have completed the training. Please refer to the following for the training conclusion:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Trainees</th> <th>No. of Trainees</th> <th>No. of trainees completed training</th> <th>Average score</th> <th>Detail description</th> </tr> </thead> <tbody> <tr> <td>Junior staff</td> <td>10</td> <td>10</td> <td>96.00</td> <td>Grade 6 or below</td> </tr> <tr> <td>Mid-level staff</td> <td>19</td> <td>19</td> <td>96.05</td> <td>Grade 7-9</td> </tr> <tr> <td>Senior staff</td> <td>11</td> <td>11</td> <td>95.91</td> <td>Grade 10 or above</td> </tr> </tbody> </table>	Trainees	No. of Trainees	No. of trainees completed training	Average score	Detail description	Junior staff	10	10	96.00	Grade 6 or below	Mid-level staff	19	19	96.05	Grade 7-9	Senior staff	11	11	95.91	Grade 10 or above	
Trainees	No. of Trainees	No. of trainees completed training	Average score	Detail description																			
Junior staff	10	10	96.00	Grade 6 or below																			
Mid-level staff	19	19	96.05	Grade 7-9																			
Senior staff	11	11	95.91	Grade 10 or above																			
<p>3. Operations of company reporting system</p> <p>(1) Does the company establish a specific reporting and incentive system, set up convenient reporting channels</p>	✓	<p>(1) In accordance with the operation procedures and conduct guidelines for integrity operation, Article</p>	No significant deviation.																				

Assessment	Operation Status		Deviations with Ethical Corporate Management Best Practice Principles for TSWE/GTSM Listed Companies and the Reasons Why
	Y	N	
	Summary and Description		
<p>and assigned suitable personnel responsible for handling the subject(s) being reported on?</p> <p>(2) Does the company establish a standard operation procedure containing investigation standards and a confidentiality mechanism for accepting reported matters?</p>	✓		<p>21 "reporting and handling of dishonest conduct of company personnel", the company encourages internal and external personnel to report dishonest conduct or improper behavior, and according to the seriousness of their reporting, the company will give bonus. If there is any false report or malicious accusation, the internal personnel shall be subject to disciplinary action, and if the circumstances are serious, they shall be subject to disciplinary action or dismissal.</p> <p>(2) The company has established and announced the internal independent reporting mailbox and special line on the company's website and internal website, or entrusted other external independent organizations to provide the reporting mailbox and special line for the use of internal and external personnel of the company. The whistleblower shall provide at least the following information:  1.The name and ID card number of the informant can contact the accused's address, telephone number and email address.  2The name of the informant or other information sufficient to identify the identity characteristics of</p>

Assessment	Operation Status		Deviations with Ethical Corporate Management Best Practice Principles for TSWE/GTSM Listed Companies and the Reasons Why
	Y	N	
(3) Does the company adopt measures that protect the informer from receiving improper treatment due to reporting?	✓		<p>the accused.</p> <p>3. Specific evidence for investigation.</p> <p>(3) The company's responsible unit for handling the whistleblowing shall keep the identity and contents of the whistleblower confidential in a written statement, and the company undertakes to protect the whistleblower from improper handling due to the whistleblowing. And shall be handled by the company's responsible unit in accordance with the following procedures:</p> <p>1) If the report involves ordinary employees, it shall be reported to the department head. If the report involves directors or senior directors, it shall be reported to independent directors or supervisors.</p> <p>2) The responsible unit of the company and the supervisor or personnel reported in the preceding paragraph shall immediately find out the relevant facts, and the compliance department or other relevant departments shall provide assistance if necessary.</p> <p>3) If it is confirmed that the accused has indeed violated the relevant laws and regulations or the company's integrity business policies and regulations, the accused shall be required to immediately stop the relevant acts and dispose of them appropriately, and claim damages through legal procedures if necessary, so as to protect the reputation and rights and interests of the</p>

Assessment	Operation Status		Deviations with Ethical Corporate Management Best Practice Principles for TSWE/GTSM Listed Companies and the Reasons Why
	Y	N	
			<p>company.</p> <p>4) The acceptance, investigation process and investigation results of the report shall be kept in written documents for five years, which can be kept electronically. Before the expiration of the retention period, in case of litigation related to the content of the report, the relevant materials shall be kept until the end of the litigation.</p> <p>5) If the report is verified to be true, relevant units of the company shall be responsible for reviewing the relevant internal control system and operating procedures, and proposing improvement measures to prevent the recurrence of the same behavior.</p> <p>6) The responsible unit of the company shall report to the board of directors the situation of the report, its handling method and subsequent review and improvement measures.</p>
4. Strengthen information disclosure (1) Does the company disclose the content of developed ethical management practices and promotion effectiveness on the company website and Market Observation Post System?	✓		No significant deviation
5. If the Company has instituted ethical corporate management best practice principles in accordance with the “Ethical Corporate Management Best Practice Principles for TSWE/GTSM Listed Companies,” please describe its operation differing from the Principles: At present, there is no significant			

Assessment	Operation Status		Deviations with Ethical Corporate Management Best Practice Principles for TSWE/GTSM Listed Companies and the Reasons Why
	Y	N	
<p>difference between the company's "operation procedures and code of conduct for integrity management" and the content of the code.</p> <p>6. Other helpful information for better understanding the Company's operation of the Ethical Corporate Management Best Practice Principles (such as the Company reviewing and amending the Company's Ethical Corporate Management Best Practice Principles):</p> <p>The Company has set up an internal control system and various guidelines to ethically manage the Company and provide guidance for the Company to follow in its dealings with suppliers and customers.</p>			


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

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

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

## (9) Internal Control System Implementation Status

### 1. 2020 Statement of Internal Control System

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

February 26, 2021

The Company has conducted a self-evaluation of its internal control system in 2019. The results were as follows:

1. The Company acknowledges that its Board of Directors and management are responsible for establishing, implementing and maintaining an internal control system. The said system has already been established at the Company. The purpose of the internal control system is to provide reasonable assurance of operation effectiveness and efficiency (including profit, performance, asset security), the reliability, timeliness, transparency of reports and compliance with applicable laws and regulations.
2. Any internal control system has inherent constraints. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the three above stated goals. Due to changes in the environment and circumstances, the effectiveness of the internal control system may vary considerably. Nevertheless, the Company's internal control system is equipped with self-monitoring mechanisms. Should any deficiencies be identified, the Company takes immediate corrective actions to address these deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system in accordance with the Guidelines for the Establishment of Internal Control System by Public Companies (referred to as the Guidelines hereinafter). The evaluation items of the internal control system used by these Guidelines divide into the internal control system into five components based on management control procedures: (1) environment control (2) risk assessment (3) control process (4) information and communication (5) supervision. There are several items contained in each component. Refer to the Guidelines for the above items.
4. The Company has evaluated the design and operating effectiveness of internal control system using the above internal control system evaluation items.
5. Based on the results of such evaluation, the Company believes that as of December 31, 2020, it has maintained an effective internal control system (including supervision and management of subsidiaries), to provide reasonable assurance of understanding of operation results and efficiency target achievement, report reliability, timeliness and transparency, and compliance with applicable procedures, laws and regulations.
6. This Statement is an integral part of the Company's Annual Report and prospectus and will be publicly disclosed. Any falsehood, concealment or other illegality will incur legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been passed the Company's Board of Directors on February 26, 2021 and all nine directors in attendance affirmed the content of this statement.

San Fu Chemical Co., Ltd.

Chairman: Wu Xin-Hong



President: Tsai Jie-Rong



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

(10) Penalties Imposed on the Company or Internal Personnel for Legal Violations, Fines for Violations of Internal Control Procedures Major Deficiencies and Remedial Measures: None

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

Meeting Date (Term)	Major Resolutions of the Board of Directors	Remarks
2020.08.06 (10 <sup>th</sup> meeting of the seventh term)	<ol style="list-style-type: none"> <li>1. Earnings distribution in the first and second quarters of 2020.</li> <li>2. Intending to handle the case of new shares issuance by cash capital increase.</li> <li>3. The proposed loan and quota for the subsidiary's continued capital.</li> <li>4. Application for renewal of bank loan</li> <li>5. Review the amount of bonus changes for the chairman and president in the first half of 2020.</li> </ol>	Passed as proposed "
2020.11.05 (11 <sup>th</sup> meeting of the seventh term)	<ol style="list-style-type: none"> <li>1. Surplus distribution in the third quarter of 2020.</li> <li>2. Vietnam Haiphong Subsidiary Increasing Capital Expenditure Case</li> <li>3. The budget report of 2021.</li> <li>4. Audit plan for 2021.</li> <li>5. The company's donation to Cultural Foundation</li> <li>6. The company's donation to public and private schools.</li> <li>7. Amendment to the company's internal control operating procedures</li> <li>8. Application for renewal of bank loan.</li> </ol>	Passed as proposed " " " "
2021.02.26 (12 <sup>th</sup> meeting of the seventh term)	<ol style="list-style-type: none"> <li>1. The company's individual financial statements for 2020 and the company's and subsidiary's consolidated financial statements recognition and business report.</li> <li>2. The company's statement of earnings distribution for 2020.</li> <li>3. Handling cash dividends from capital reserve.</li> <li>4. Election of the 8th Directors</li> <li>5. Proposed to change the capital utilization plan of the cash increase in 2020.</li> <li>6. To plan for cash increase of subsidiaries</li> <li>7. It is proposed to fix the date, place and agenda of the general meeting of shareholders in 2021, and the period for accepting shareholder's proposals.</li> <li>8. Proposed to increase the endorsements and guarantees for subsidiaries.</li> <li>9. The proposed loan and quota for the subsidiary's continued capital.</li> <li>10. Proposed to renew the endorsements and guarantees for subsidiaries.</li> <li>11. Adjustment of the company's distributable earnings and the amount of special surplus reserve provided by the International Financial Reporting Standards.</li> <li>12. Application for new and renewed loan lines of the bank.</li> <li>13. The company's Declaration on the effectiveness of the design and implementation of its internal control system in 2020</li> <li>14. Application for renewed loan lines of the bank.</li> <li>15. Distribution of employee remuneration and remuneration of directors and supervisors in 2020.</li> <li>16. Review the amount of bonus payment changes for president and chairman in the second half of 2020.</li> <li>17. Review the performance appraisal objectives and bonus changes proposal for president and chairman in 2021.</li> </ol>	Passed as proposed " " " "

Meeting Date (Term)	Major Resolutions of the Board of Directors	Remarks
2021.05.05 (13 <sup>th</sup> meeting of the seventh term)	1. Surplus distribution in the first quarter of 2021. 2. Review the qualifications of director candidates for the 2021 annual shareholders meeting. 3. Removal of the prohibition on competition for new directors and their Representatives. 4. Proposed to increase the shareholding of “Lifu Carbonic Acid Co., Ltd.” 5. The proposed loan and quota for the subsidiary's continued capital. 6. Formulate the organization rules of the company's audit committee. 7. Amendment to the "Articles of Association" of the company. 8. Amendment to the company's internal control and internal audit operating procedures and other operating procedures.	Passed as proposed
2020.06.06	1) Subject matter: recognition of business report and financial statement in 2019. 2) Subject matter: Earnings Distribution in 2019. Implementation: July 12, 2020 is the benchmark date of ex right and interest distribution, and July 24, 2020 is the date of cash dividend distribution. (cash dividend distributed per share NTD2.2) 3) Subject matter:: Handle the case of issuing cash dividends from capital reserves. Implementation: July 12, 2020 is the benchmark date of ex right and interest distribution, and July 24, 2020 is the date of cash dividend distribution. (cash dividend distributed per share NTD0.3) 4) Subject matter: Amendment to the " Rules of Procedure of Shareholders' Meeting". Implementation: the revised measures have been uploaded to the company' s website. 5) Subject matter: Amendment of the “Endorsement guarantee operating procedures”. Implementation: the revised measures have been uploaded to the company' s website.	Passed as proposed

(12) Records or written statements made by any directors or supervisors dissenting to major resolutions passed by the Board of Directors: None

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

#### 4. External Auditor Fee Information

CPA Firm	Names of CPAs		Auditing period	Remark
Deloitte Taiwan	Hsu Hsiu-Ming	Wong Ya-Ling	2020	None

Amount bracket		Fee items	Auditing fees	Non-auditing fees	Total
1	Less than NT\$2,000,000		-	V	V
2	NT\$2,000,000 ~ NT\$4,000,000		V	-	V
3	NT\$4,000,000 ~ NT\$6,000,000		-	-	
4	NT\$6,000,000 ~ NT\$8,000,000		-	-	-
5	NT\$8,000,000 ~ NT\$10,000,000		-	-	-
6	Above NT\$10,000,000		-	-	-

- (1) When the non-auditing fee to independent auditors, the CPS firm or an affiliated company is more than one-fourth of the auditing fee, disclose the auditing fee, non-auditing fee and non-auditing services:

Unit: Thousand NT\$

CPA Firm	Names of CPAs	Audit Fee	Non-auditing fee					Auditing period	Remark
			System design	Industrial and commercial registration	Human resources	Other	Subtotal		
Deloitte Taiwan	Hsu Hsiu-Ming Wong Ya-Ling	3,360	—	479	—	—	3,839	2020	

- (2) If the auditing fee paid in the year which the CPA firm was replaced is less than the fee paid in the previous year, disclose the auditing fee amounts and reason for the reduction: N/A

- (3) When the auditing fee decreases by 15% or more compared to the previous year, disclose auditing fee reduction amount, ratio and reasons: N/A

5. CPA Replacement Information: no such situation.

6. When the Company's chairman, president or financial / accounting manager employed by the underlying CPA firm or its affiliates within the recent year, the name, position, work period at the underlying CPA firm or its affiliates shall be disclosed: None

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

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

Unit: Shares

Title	Name	2020		Up to April 18, 2021	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Chairman	Wu Xin-Hong	298,260	0	0	0
Director	San Fu Global Ltd.	1,950,626	0	0	0
San Fu Global Ltd. representative	Zhang Chun-Ming	274,455	0	0	0
Director & President	Tsai Jie-Rong	0	0	0	0
Director	Zhang Yi-Zong	22,520	0	0	0
Director & Vice President	Wang Yao-Ming	(166,,508)	0	0	0
Director & Vice President	Su Tian-Bao	28,752	0	0	0
Director	Liang Guo-Yuan	0	0	0	0
Independent Director	Li Zhong-Xi	0	0	0	0
Independent Director	Wu Dong-Ming	0	0	0	0
Supervisor	Pilot Keymark SDN.BHD.	0	0	0	0
Pilot Keymark representative	Zhong Su-Sheng	0	0	0	0
Supervisor	You Sheng-Fu	0	0	0	0
Supervisor	Huang Ming-Fu	0	0	0	0
Major shareholder	Pilot Keymark SDN.BHD.	0	0	0	0
Major shareholder	San Fu Global Ltd.	1,950,626	0	0	0
President	Tsai Jie-Rong	0	0	0	0
Vice President	Su Tian-Bao	28,752	0	0	0
Vice President	Wang Yao-Ming (Note)	(166,508)	0	0	0
Asst. VP	Huang Jun-Yin	24,277	0	0	0
Asst. VP	Zhuang Fu-Qin	176	0	0	0
Finance and Accounting Supervisor	Xie Ming-Zhi	0	0	0	0
Asst. VP	Chen Jie-Yu	0	0	0	0
Asst. VP	Dai Qin-Yao	(3,119)	0	0	0

Note: Retired in Feb. 2021.

- (2) Information on Equity Transfer Counterparts who are Interested Persons: None  
(3) Information on Shares Pledged to Interested Parties: None

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

April 18, 2021 / Unit: Shares

Name	Current Shareholding		Spouse, Minor Children Shareholding		Shareholding by Nominee Arrangement		Name and Relationship between the Company's Top 10 Shareholdings, or Spouses or Relatives within Two Degrees of Kinship		Remark
	Shares	%	Shares	%	Shares	%	Title (or name)	Relationship	
San Fu Global Ltd. Representative: Zhang Chun-Ming	24,067,315	23.89%	—	—	—	—	—	—	—
Pilot Keymark SDN. BHD.	19,929,000	19.78%	—	—	—	—	—	—	—
Wu Xin-Hong	3,3680,010	3.65%	—	—	—	—	Wu Dong-Bai	Father/son	—
Zhang Xi-Wen	3,569,286	3.65%	—	—	—	—	Zhang Chun-Ming Zhang Dan-Liang	Son/father brother	—
Fang Hong-Yuan	3,477,952	3.45%	—	—	—	—	—	—	—
Zhang Chen Shu-Li	3,442,884	3.42%	-	-	-	-	Zhang Chun-Ming	Sister-in-law /brother	-
FORTUNE CONTIENT TRADE LIMITED	3,302,722	3.28%	—	—	—	—	—	—	—
Chinatrust Commercial Bank trust account on behalf of Zhang Chun-Ming	3,111,845	3.09%	—	—	—	—	-	-	—
Wu Dong-Bai	2,949,013	2.93%	—	—	—	—	Wu Xin-Hong	Son/ Father	—
Fubon Life Insurance Co., Ltd.	2,695,322	2.68%	—	—	—	—	-	-	—

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

December 31, 2020/Unit: Shares

Reinvested Companies	Investment by the Company	Investment by directors, supervisors, management or enterprises directly or indirectly controlled by the Company	Total Investment

	Shares	%	Shares	%	Shares	%
San Fu Specialty Chemicals Investments Limited	2,350,840	100.00%	—	—	2,350,840	100.00%
San Fu Food Additives Investments Limited	552,198	100.00%	—	—	552,198	100.00%
VinaSanFu Industrial Gas Company Limited	—(Note1)	100.00%	—	—	—(Note)	100.00%
VinaSanFu Material Company Limited	—(Note1)	100.00%	—	—	—(Note)	100.00%
San Fu Biotech Co., Ltd.	12,500,000	100.00%	—	—	12,500,000	100.00%
International Nitto Technology Co., Ltd.	15,000,000	100.00%	—	—	15,000,000	100.00%
Horng Cherng Enterprise Co., Ltd.	1,200,000	50.00%	—	—	1,200,000	—
Li Fu Carbonic Acid Co., Ltd.	500	25.00%	—	—	500	—
Shian Yun Joint Stock Company	2,659,974	33.33%	—	—	2,659,974	33.33%
Shanghai San Fu Ming Electronic Materials Co., Ltd.	—(Note1)	50.00%	—	—	—(Note)	50.00%
Sino Star Holding Limited	1,867,838	100.00%	—	—	1,867,838	100.00%
Fanda International (Samoa) Ltd	1,300,000	41.94%	1,800,000	58.06%	1,300,000	100.00%

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

Note 2: Liquidated in January 2021

#### IV. Capital Overview

##### 1. Capital and Shares

##### (1) Sources of Capital

##### 1. Capital formation

April 18, 2021

Unit: Thousand Shares; Thousand NT\$

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

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

## 2. Types of Issued Shares

April 18, 2021 /Unit: Shares

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

## (2) Shareholder Composition

April 18, 2021 / Unit: Persons; Shares

Shareholder Composition Quantity	Government Institution	Financial Institution	Other Legal Person	Natural Person	Foreign Institutions and Individuals	Total
Number of persons	0	6	19	2,749	21	2,795
Shareholding	0	8,235,879	24,244,747	38,598,627	29,626,747	100,706,000
Shareholding %	0.00%	8.18%	24.08%	38.32%	29.42%	100%

## (3) Shareholder dispersion

April 18, 2021

Shareholding bracket	No. of Shareholders	Shares Held	%
1~999	368	54,539	0.05%
1,000~5,000	1,799	3,417,053	3.39%
5,001~10,000	260	1,942,371	1.93%

10,001~15,000	102	1,250,476	1.24%
15,001~20,000	51	908,854	0.90%
20,001~30,000	62	1,542,694	1.53%
30,001~50,000	53	2,060,101	2.05%
50,001~100,000	42	2,947,440	2.93%
100,001~200,000	23	3,125,428	3.10%
200,001~400,000	17	4,806,641	4.77%
400,001~600,000	4	1,889,502	1.88%
600,001~800,000	-	-	-
800,001~1,000,000	1	813,810	0.81%
Over 1,000,001	13	75,947,091	75.42%
Total	2,795	100,706,000	100.00%

(4) List of Major Shareholders

April 18, 2021 /Unit: Shares

Name of Major Shareholder	Shares	Shareholding	%
San Fu Global Ltd.		24,067,315	23.90%
Pilot Keymark SDN.BHD.		19,929,000	19.79%
Wu Xin-Hong		3,680,010	3.65%
Zhang, Xi-Wen		3,569,286	3.54%
Fang Hong-Yuan		3,477,952	3.45%
Zhang Chen Shu-Li		3,442,884	3.42%
FORTUNE CONTINENT TRADE LIMITED		3,302,722	3.28%
Chinatrust Commercial Bank trust account on behalf of Zhang Chun-Ming		3,111,845	3.09%
Wu Dong-Bai		2,949,013	2.93%
Fubon Life Insurance Co., Ltd.		2,695,322	2.68%

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

Unit: NT\$; Thousand shares

Item	Year	2019	2020	As of March 31, 2021
		Market price per share	Highest	53.00
	Lowest	38.6	38.05	57

	Average	44.2	57.57	63.07	
Net value per share	Before distribution	34.79	37.66	36.70	
	After distribution	32.29	N/A	N/A	
Earnings per share (EPS)	Weighted average no. of shares	90,706	91,533	100,706	
	EPS	3.58	4.36	1.0	
Dividend per share	Cash dividend	2.5	(note 1)	N/A	
	Stock dividend	From retained earnings	0	0	N/A
		From capital reserve	0	0	N/A
	Cumulative unpaid dividend	0	0	N/A	
Return on Investment (ROI) Analysis	Price-Earnings Ratio	12.35	13.20	N/A	
	Price-Dividend Ratio	17.68	(note 1)	N/A	
	Dividend Yield	5.66%	(note 1)	N/A	

Note 1: Determined after resolution by the June 16, 2021 Shareholders' Meeting

#### (6) Dividend Policy and Execution Status:

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

Distribution of Company's dividends depends on the earnings status for that year. The Company tries to keep dividends stable. Except for special circumstances, the dividend will not exceed 70% of net income for that year. The Company is currently in its growth stage so future capital requirements and long-term financial planning of the Company must be taken into consideration. The cash dividend may not be less than 5% of the total dividend but the amount may be adjusted by resolution at the Shareholders' Meeting based on actual profitability and future capital planning.

In the board of directors of the company on February 26, 2021, it was proposed that the distribution of earnings in the year of 2020 should be NT\$2.0 per share and NT \$1.0 per share of capital reserve. The allotment of capital reserve shares will be handled in accordance with the relevant provisions after the resolution of the general meeting of shareholders was adopted on June 16, 2021.

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

(8) Employee, Director and Supervisor Remuneration:

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

According to the Company's Articles of Incorporation, 1% -3% of the current year's earnings are allocated for employee remuneration and no more than 3% is allocated for director and supervisor remuneration.

2. Estimate foundation of employee, director and supervisor remuneration, stock dividend distribution and accounting treatment for differences in the actual amount distributed and the estimated amounts: When there is a difference in the employee, director and supervisor remuneration estimate foundation and actual distribution amounts for the period, the difference is to be adjusted in the first quarter of 2021.

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

(1) The Company's 2020 earnings distribution plan was approved at the February 26 2021 meeting of the Board of Directors and the employee, director and supervisor remuneration distribution was as follows:

A. Employee cash remuneration amount: NT\$10,547,000 in employee bonuses were approved for distribution.

B. Employee stock option amount: There is no proposal to distribute shares for this Shareholders' Meeting so it is not applicable.

C. Director and supervisor remuneration: NT\$10,547,000 in director and supervisor remuneration was approved for distribution.

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

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

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

The Company's 2019 earnings distribution plan was approved at the February 25, 2020

meeting of the Board of Directors and the employee, director and supervisor remuneration distribution was as follows:

- A. Employee cash remuneration amount: NT\$9,424,000 in employee bonuses were approved for distribution.
- B. Employee stock option amount: There is no proposal to distribute shares for this Shareholders' Meeting so it is not applicable.
- C. Director and supervisor remuneration: The Board of Directors approved to distribute NT\$9,424,000 in director and supervisor remuneration.

(9) Buyback of Company Shares: None

2. Issuance of Corporate Bonds: None

3. Issuance of Preferred Stock: None

4. Issuance of Overseas Depository Receipts: None

5. Issuance of Employee Stock Options: None

6. Issuance of New Restricted Employee Shares: None

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

8. Capital Utilization Plan Execution Status: None

## **IX.V. Operation Highlights**

### 1. Business Content

#### (1) Business Scope

##### 1. Major businesses

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

2. Major business categories and their percentages:

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

Unit: Thousand NT\$

Item \ Year	2020		2019	
	Amount	%	Amount	%
Fine chemicals	2,903,964	76.05	2,900,071	73.67
Basic chemicals	914,752	24.95	1,036,310	26.33
Total	3,818,716	100	3,936,381	100

3. Current product (service) items:

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

#### 4. New products (services) planned for development

- A. Electronic chemicals for touch panels
- B. Specialty chemicals for high-end TFT-LCD panels (3D, OLED and AMOLED)
- C. Electronic chemicals for IC nanometer-processes (front-end foundry, memory and back-end packaging)
- D. TMAH recovery and reuse technology and products.
- E. Chemical (bumping stripper) recovery and reuse technology and products
- F. Special chemical adhesive for packaging, detergent, and special mixed acid.
- G. Electronics-grade chemicals for export (Southeast Asian countries)

#### (2) Current Industry Status and Development

##### 1. Current Industry Status

###### (1) Fine chemicals

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

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

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

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

## (2) Basic chemicals

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

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

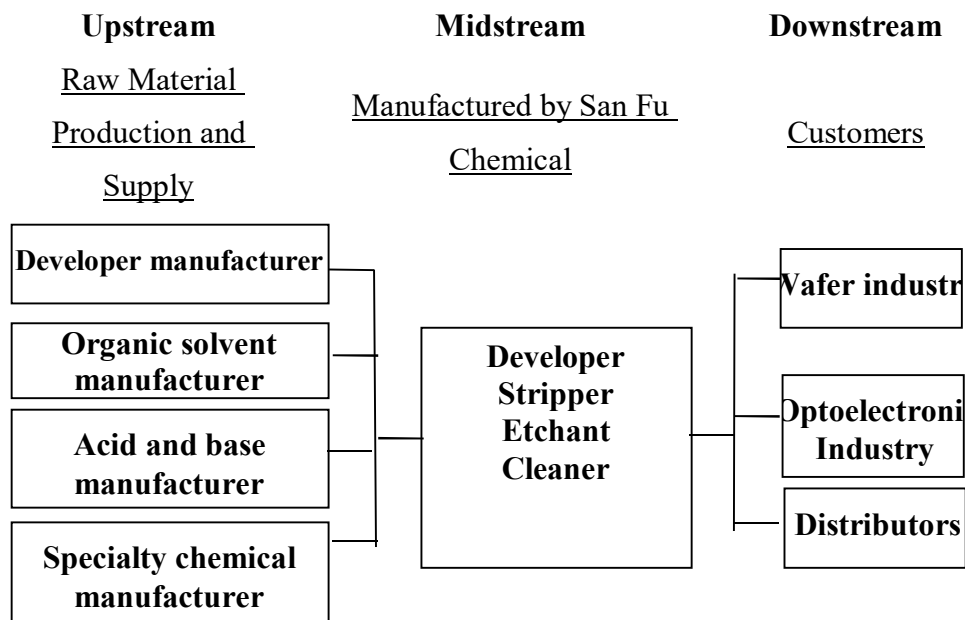
caloric value. It is 30 to 8000 times sweeter than sugar. As a result, products that are manufactured with it have much fewer calories than those products made with cane sugar. Commonly used as a substitute for corn syrup and cane sugar, it is added to many kinds of sodas and sweetened drinks. Artificial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

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

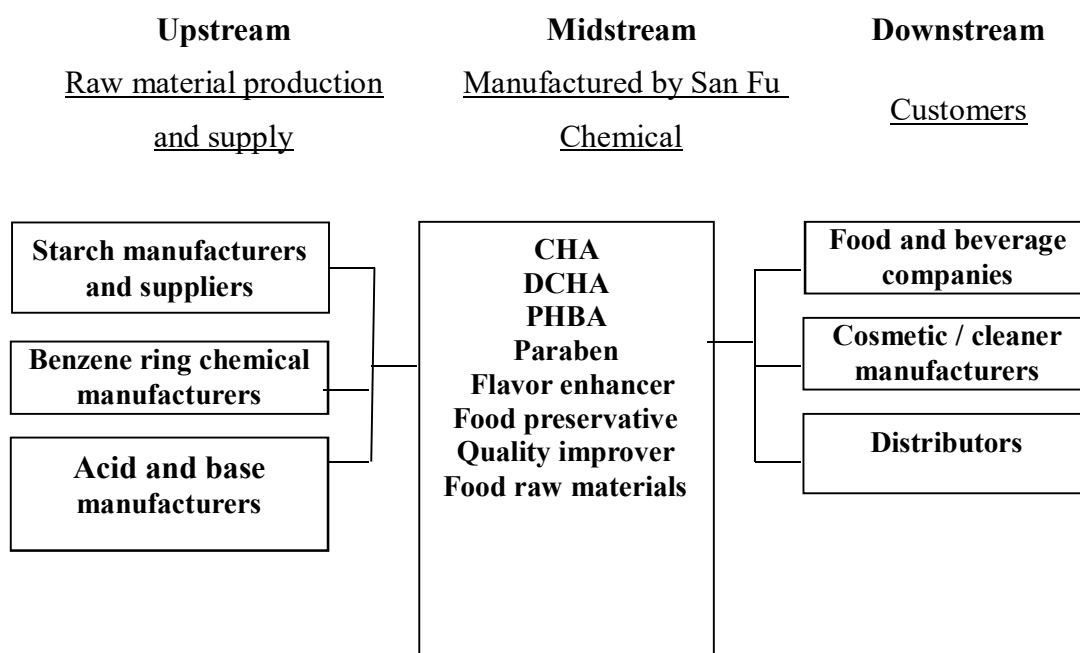
## 2. Industry upstream, midstream and downstream relationship

### (1) Fine chemicals

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



(2) Basic chemicals



3. Product development trends and competitors:

(1) Product development trends

A. Development trends

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

(A) TFT-LCD industry

In view of the COVID-19 epidemic raging around the world in 2020, mainstream activities such as home office, remote teaching, and housing economy have given a strong recovery momentum of the panel industry. Studies show that Taiwan's annual output has reached NT\$727.5 billion, an increase of 0.3% from the impact of the US-China trade war in 2019. Among them, the growth of large panels (10 inches and above) has become the main source of contribution to the panel industry, accounting for 58.3% of the total. This is mainly due to the rising demand for the housing economy and long-distance

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

#### (B) Semiconductor industry

Facing the impact of the epidemic in 2020, the global semiconductor industry is growing in an opposite direction against the trend compared to other industries. Taiwan's performance is outstanding. Researches indicated that the total annual output value of the relevant Taiwan's IC industry exceeded NT\$ 3 trillion an annual increase of 16.7%. The global output value will grow by 5.4% annually to reach 442 billion U.S. dollars. Taiwan's growth rate will be even greater, reaching 16.7%. The total output value will reach more than NT\$ 3 trillion, a record high, surpassing Vietnam and South Korea, ranking second in the world, and second only to the United States.

Taiwan's advanced semiconductor manufacturing process is leading other manufacturers in the world, and its foundry and packaging and testing output value ranking first in the world, and IC design ranks second in the world. Among them, the leading TSMC's 5nm technology has been used for mass-production in the second quarter of this year, and the more advanced 2nm layout is already visible.

Researchers predict that with the popularization of vaccines and the opening of the economy and the gradual recovery, the semiconductor market will reach US\$476 billion in 2021, with an annual growth rate of 7.7%. Working and studying from home will increase the purchasing power of PCs in the corporate and consumer markets; in addition, employees and students decentralized from the centralized locations also forces cloud service providers, telecommunications providers, and corporate IT departments to more actively invest in computing infrastructure. In the future 2 to 3 years, 5G mobile phones and 5G infrastructure, electric vehicles, IoT, cloud technology, and AI chips will continue to play an important role of driving the growth of semiconductors.

#### (C) Food industry

Health, happiness, convenience and environmental protection & ethics are the four main components of demand for global consumers and the main drivers of food industry innovation and R&D. In order to respond to health demands of

consumers, food companies need to strike a balance between texture, taste, healthiness and safety through technology, formulation and process improvements to lighten the burden on consumers by lowering calories, reducing allergens and downsizing packaging. Due to the series of food safety incidents such as melamine, plasticizer and tainted starch that have over recent years, consumers have a much higher awareness towards food safety so food companies are more highly concerned about raw material sources and quality.

## (2) Product competition

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

## (3) Technology and R&D

### 1. R&D Expenditures

Unit: Thousand NT\$

Item \ Year	2020	2019	Jan – Mar 2021
R&D expenditures	40,907	27,438	9,075
Revenue	3,818,716	3,936,381	969,794
R&D expenditures as a percentage of revenues	1.07%	0.69%	0.93%

### 2. Successfully Developed Technologies or Products:

Year	R&D Accomplishments
2011	1. Develop new distillation process for DCHA 2. Apply low-permeability ion exchange film in the process
2012	Recycle hydroxybenzoic acid from recycled waste solution
2013	1. Jointly developed copper process stripper with major LCD panel manufacturers 2. Raise yield with PMI polymerization inhibitor 3. Developed high quality new process for waste TMAH solution recovery

2014	1. Develop new process for DCHA 2. Developed hydrogenated benzoic acid product
2015	1. Trial production of new DCHA process 2. Increased TMAH electrolysis current efficiency
2016	1. Developed TMAH electrolysis method to recover TMAH 2. Developed high selectivity catalytic hydrogenation
2017	1. Optimized electrolysis method for recovery and remanufacture of TMAH to reach LCD grade 2. Developed high purity benzoic acid hydrogenation process
2018	1. Established paraben high recovery green esterification process 2. Developed use of liquid crystal polymer intermediates (LCP) in parabens process for 5G flexible panels
2019	1. The recovered TMAH developer was purified to IC level, and the laboratory verification was completed. 2. Development of stripper for IC bump process.
2020	1. Recycle TMAH developer solution to a purity up to IC scale, and complete the construction of pilot factory, and it is at the stage of inspection for acceptance by customers. 2. Develop Non NMP/DMSO photoresist stripper.

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

##### 1. Short-term business development plan

###### (1) Fine chemicals

###### A. Marketing strategy

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

###### B. R&D Strategy

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

- (B) In addition to satisfying the chemical quality requirements of customers and providing stable supplies, the Company will work to adjust and improve its products and develop new customized products based on the differing requirements of customers to respond to ever-changing high-tech processes.

C. Production strategy

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

D. Operation and management

- (A) Establish a sound management system, strengthen management performance, put company business philosophy into practice and improve company image in line with company development.
- (B) Strengthen employee education and training, make human resources the most important asset for corporate competitiveness. Combine company organization, business development requirements and employee career planning to arrange internal and external education and training programs for each department to improve employee occupational know-hoe and management skills and upgrade mid to long-term competitiveness of the Company.
- (C) Strengthen financial structure and health, use sound financial planning and operation management to get maximum overall benefit from company resources.

(2) Basic chemicals

- A. Actively consolidate current customers and gradually eliminate customers with poor credit. Then further leverage our quality and technical service advantages to win the trust of potential and current customers to increase company revenue and expand our niche businesses.
- B. Strengthen purchasing capability, keep track on the market conditions and currency rate changes to reduce product costs, increase company competitiveness and profit.
- C. Focus on new product R&D, raising product quality and developing sales channels. Build up corporate image and recognition to gain advantages in marketing.

2. Long-term business development plan

A. Marketing strategy

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

- (B) Diversification of operation risk: Respond to market demand and industry development trends, diversify product line, avoid operation risk of overconcentration on a single product or a single product being affected by economic factors.
- (C) Seek out international opportunities: Seek out more overseas customers, expand globally, develop emerging markets and achieve market diversification targets.
- (D) Actively cultivate professional sales talent: Encourage identification with corporate culture throughout the organization to meet the future development requirements of the Company. Build common values and solidarity around the Company. Seek up cooperative opportunities with world-class corporations to raise our company profile and market share.

#### B. R&D strategy

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

#### C. Production strategy

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

#### D. Operation management

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

## 2. Market, Production and Sales Overview

### (1) Market analysis

#### 1. Sales regions for major products (services)

Unit: Thousand NT\$

Sales region \ Year	2020		2019	
	Net Sales	Percent of Net Sales	Net Sales	Percent of Net Sales
Asia	3,722,651	97.48%	3,894,591	98.94%
America	34,795	0.91%	27,174	0.69%
Other	61,270	1.60%	14,616	0.37%
Total	3,818,716	100.00%	3,936,381	100.00%

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

##### (1) Fine chemicals

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

Our company is mainly engaged in the R & D, production and sales of precision chemicals and basic chemicals. After years of efforts, we have established a professional position in the industry. Affected by the impact of lower international oil prices than last year and the impact of the epidemic, according to research surveys, the overall output value of Taiwan's specific chemicals in 2020 is estimated to be NT\$301.6 billion, a decrease of about 6.3% compared with 2019. However, the COVID-19 epidemic has caused global lockdowns, and the impact of reducing consumer demand has been improved after countries have been unblocked. In 2020, the revenue of specific chemicals will show quarterly growth. It is expected that in 2021, benefiting from the rise in crude oil, the petrochemical town of Texas at the beginning of the year, and the significant increase in sea and air transportation costs, the output value of the chemical industry in 2021 will increase significantly

compared to 2020. If IEK's global comprehensive chemicals estimate that the output value of the chemical industry in 2021 will reach NT\$4.05 trillion, and the growth rate will be 9.35%, it is estimated that Taiwan's specific chemicals will increase by more than 10% in 2021.

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

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

## (2) Basic chemicals

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

The public has developed a heightened awareness of food hygiene, safety and quality due to the series of food hygiene and safety incidents that have occurred over the years and brand identity has increased as a result. So, the market for safe and high quality products should enjoy stable growth.

## 3. Competitive niche

### A. Possess outstanding R&D capabilities

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

### B. Provide quality and value services

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

#### C. Steady development of new products and technologies

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

#### 4. Advantageous and disadvantageous factors for development prospects and countermeasures

##### A. Advantageous factors

##### (A) Growth in fine chemical downstream application industry

As global optoelectronics and green energy industries continue to grow, there is high development potential for the overall industry. TFT-LCD, semiconductor, green energy are the pillars supporting the Company's fine chemical growth. Among them, the research unit expects that due to the control of the epidemic in 2021 and the low base period, the production capacity of the two major Taiwan panel manufacturers is expected to continue to grow smoothly. The original large-size shipment growth in 2020 is compared with the reduction of small and medium sizes. It may be reversed in 2021. The main reason is the demand for 5G mobile phones has increased sharply, but the restrictions on shipments of Chinese branded mobile phones affected by China-US trade war will limit the growth of demand.

The global semiconductor market is divided up based on product applications. Spurred along by growth in IoT, 5G, automotive electronics, AR / VR and AI applications, semiconductor market growth may extend several years.. Though the China – U.S. trade tensions may affect the international situation, survey institutes estimate that the industry will grow at a high level in 2021, particularly when the wafer OEM industry will be in shortage up to 2023.

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

Taiwan is one of the top five manufacturers of TFT-LCD panels in terms of production volume. As for semiconductors, the country has one of the top five chip foundries and a number of memory chip manufacturers. Since Taiwan is a major producer of electronic parts and components, it has become a major market for the global electronic specialty chemicals. Due to the high technical threshold, supply of major electronic specialty chemicals has been controlled by Japanese companies. However, as the technical capabilities of Taiwan companies has improved, local electronic specialty chemical suppliers have gradually gained a footing in the supply chains of electronic component manufacturers.

B. Disadvantageous factors

(A) Competition between international and Chinese manufacturers

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

Countermeasure:

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

(B) Price reduction pressure from customer-end

The Company's major customers are bellwethers in the market. In order to win customers, other competitors may adopt a low price strategy to raise customer purchasing intent. In addition, current major customers are facing a certain amount of pressure to trim overall product costs. So, these customers will ask their suppliers to cooperate by lower prices. Lower sales will decrease company profitability.

Countermeasure:

Through development of new chemical technologies and processes, the Company can offer new products in conjunction with customer process changes to increase differentiation with competitors and maintain product unit prices and profits. The purchasing end determines supply and price

negotiation strategy based on the product category to reduce the pressure of raw material price hikes and customer price reduction requests in recent years.

(C) Environmental protection pressure

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

Countermeasure:

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

(2) Uses of major products and production processes:

1. Primary uses of major products:

(1) Fine chemicals

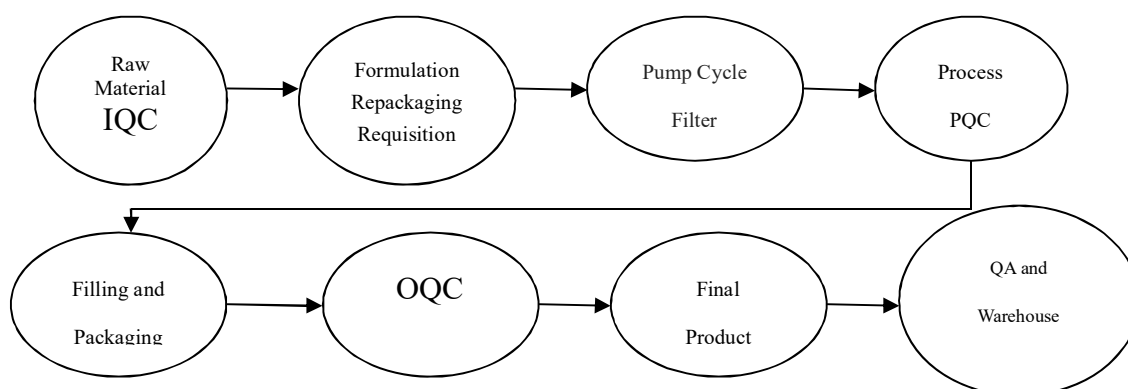
- A. Developer: Base developing solution is used to neutralize and strip away the organic acid formed after exposure of the photoresist (PR) in the semiconductor or panel process leaving the unreacted PR behind.
- B. Etchant: Acidic etchant is used to etch away the metal not protected by PR in the semiconductor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

(2) Basic chemicals:

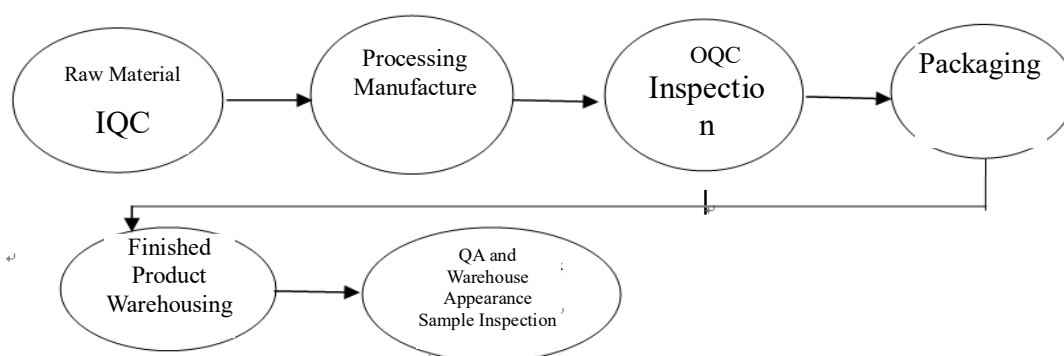
- A. Food additives: Necessary for food manufacturing and processing
- B. Paraben, sorbitol: Personal care products and cosmetics.
- C. Food raw materials: Used in the production process for processed foods.

2. Production process of major products:

(1) Fine chemicals



(2) Basic chemicals



(3) Major raw material suppliers:

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

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

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

1. Major customers

Unit: Thousand NT\$

Item	2020				2019				2021Q1			
	Name	Amount	%	Relation with issuer	Name	Amount	%	Relation with issuer	Name	Amount	%	Relation with issuer
1	Company A	1,088,535	28.51	None	Company A	1,149,848	29.21	None	Company A	265,717	27.40	None
2	Company B	478,761	12.54	None	Company B	539,558	13.71	None	Company B	113,071	11.66	None
3	Other	2,251,420	58.96		Other	2,246,975	57.08		Other	591,006	60.94	
—	Net sale amount	3,818,716	100		Net sale amount	3,936,381	100		Net sale amount	969,794	100	

There was no significant change in major sales customers in 2020 and 2019.

2. Major suppliers

Unit: Thousand NT\$

Item	2020				2019				2020Q1			
	Name	Amount	%	Relation with issuer	Name	Amount	%	Relation with issuer	Name	Amount	%	Relation with issuer
1	Other	2,239,752	100.00	—	Net	2,511,885	100.00	—	Other	598,919	100.00	—
—	Net purchase amount	2,239,752	100.00	—	Net purchase amount	2,511,885	100.00	—	Net purchase amount	598,919	100.00	—

(5) Production Value over Recent Two Years

Unit: Tons / Thousand NT\$

Year Amount/value Major product (or by department)	2020			2019		
	Capacity	Production amount	Production value	Capacity	Production amount	Production value
Fine chemicals	38,584	37,567	1,039,105	38,840	34,007	1,101,470
Basic chemicals	8,241	5,578	424,122	9,743	6,462	497,987
Total	46,825	43,145	1,463,227	48,583	40,469	1,599,457

(6) Sales Volume and Value over Recent Two Years

Unit: Tons / Thousand NT\$

Year Amount/value Major product (or by department)	2020				2019			
	Domestic		Export		Domestic		Export	
	Amount	Value	Amount	Value	Amount	Value	Amount	Value
Fine chemicals	67,821	3,107,040	605	47,719	65,490	2,816,463	2,475	76,164
Basic chemicals	10,492	305,992	4,952	357,965	19,873	584,045	6,107	459,709
Total	78,313	3,413,032	5,557	405,684	85,363	3,400,508	8,582	535,873

3. Employees

Unit: Persons; Year

Year		2019	2020	As of Mar 31, 2021
Number of Employees	Management	48	62	47
	Support staff	295	300	299
	Total	343	352	352
Average Age		39	41	41
Average Years of Service		9.5	10.5	10.3
EDUCATION	Doctorate	0.6%	0.6%	0.6%
	Masters	19.2%	19.3%	18.5%
	University	55.4%	56%	56.5%
	High School (Vocational)	22.7%	22.2%	22.4%
	Below high school (vocational)	2.1%	2.2%	2%

4. Environmental Protection Expenditures

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

Year Item	2020	2019	As of Mar 31, 2021
Date	1. May 20, 2020 2. Nov. 26, 2020 3. Dec. 02, 2020	1. January 5, 2019 2. July 15, 2019	March 12, 2021
Pollution condition	1. Violation of Clause 2, Item 1, Article 31 of the Waste Disposal Act. 2. Violation of Item 1, Article 18 of the Air Pollution Control Act. 3. Violation of Item 1, Article 18 of the Water Pollution	1. Violation of the Water Pollution Control Act, the discharge water fails to meet the discharge standard. 2. Violation of Air Pollution Control Act, failure to conduct regular inspection and	Violation of Item 1, Article 7 of the Water Pollution Control Act and Article 2 of the Water Discharge Standard

	Control Act and Item 1, Article 16 of the Water pollution prevention and control measures and inspection and reporting management measures.	declaration as required.	
Compensation counterpart or disposal unit	Tainan City Government Environmental Protection Department	Tainan City Government Environmental Protection Department	Tainan City Government Environmental Protection Department
Compensation amount or disposal status	1. NT\$6,000.- 2. NT\$300,000.- 3. .NT\$10,000.-	1. NT\$135,000.- 2. NT\$200,000.-	NT\$189,000.-
Other damages	None	None	None

(2) Future countermeasure policies and possible expenditures: By promoting the writing of CSR reports, the Company believes there will be stricter controls of environment protection requirements (such as air pollution, wastewater treatment, waste sorting and reduction) and corporate social responsibility. In the future, San Fu will work harder to implement energy conservation, carbon reduction, green and environmental protection work to reduce pollution risk.

## 5. Labor-Management Relations

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

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

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

(1) Two day weekend (2) Competitive salary levels (3) Employee education and training (4) Cash gifts for weddings and funerals (5) Employee health exams (6) Cash gifts for birthday and annual festivals (7) Employee trip (8) Hospitalization consolation gift (9) Employee proposal bonus (10) Childrearing allowance.

### 2. Continuing education and training

For the part of management level and management cadres, San Fu Chemical introduced the Balanced Scorecard as a medium and long-term strategic operation and objective management tool since 2018, showing the determination of execution and sustainable operation. Management mechanism is enhanced every year in the management and executive training courses for strategy and business performance and regular tracking of results. During the year of 2020 (the COVID-19 pandemic period), management training was converted to online training courses, and the Human and Resources Department planned and designed online teaching materials to achieve the purpose of learning.

The Company pays special attention to personal planning and talent cultivation, and

actively encourages employees to participate in various training courses including company internal and external training courses. The Company's 2020 training hour statistics are shown in the table below:

			Male	Female	Total
Management	Actual number of people during reporting period		48	4	52
	Hours of training received during the reporting period		651.19	32.76	683.95
	Average hours of training received during the reporting period		13.57	8.19	13.15
Non-management	Actual number of people during reporting period		239	61	300
	Hours of training received during reporting period		3631.07	764.65	4395.72
	Average hours of training received during the reporting period		15.19	12.54	14.65
Total		No.	287	65	352
		Hrs	4282.26	797.41	5079.67
Total number of employees at the end of the reporting period		No.	287	65	352
Average hours of training received by each employee		Hrs	14.92	12.27	14.43

Since the launch of online learning system in the second quarter of 2018, the convenience of learning courses for colleagues has been increased, so that colleagues can continue to learn and grow, so as to expand their personal potential, enrich career planning and promote self realization. Online training is divided into six categories: basic training, functional professional skills, advanced work skills, general management functions and senior executive leadership training courses. During the 2020 period, the effectiveness of e-learning platform can be divided into three parts: 1. Online new training: a total of 11 sessions, that is, to save the time cost of internal lecturer face-to-face teaching, a total of 88 hours; 2. Online face-to-face courses: there are nine courses, including ISO45001 hazard identification and risk assessment education and training, seven techniques of quality control, GHP food good hygiene standards, integrity operation procedures and conduct guidelines, SPC statistical process control, FMEA failure mode & effect analysis, safety and health education and training for employees, hazardous chemicals and fire general education and training, seven habits of high-performance professionals; 3. Health promotion textbook: eleven courses in total, including TCM acupoint massage, weight reduction course, heat injury and prevention, colorectal cancer, hypertension health education lecture, ergonomics concept, stroke, enterovirus and other health knowledge and promotion methods, New COVID-19 Prevention Guide, Diabetes, Emergency First Aid Training. The online learning platform is fully and effectively utilized, so that the learning of all colleagues of San Fu is not limited by the environment, and the course content comprises corporate management to daily living, which fully reflects the corporate culture that San Fu Chemical attaches importance to the quality of life of its employees.

### 3. Pension system and implementation status

The pension system under the Labor Pension Statutes was implemented on July 1,

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

#### 4. Personnel System and Labor -Management Relations

##### (1) Personnel system

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

##### (2) Labor – management relations

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

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

#### 6. Major Contracts:

<b>Nature of Contract</b>	<b>Counterparty</b>	<b>Contract Start Date</b>	<b>Major Contents</b>	<b>Restrictions</b>
Lease	San Fu Global Ltd.	04/01/2012 ~ 03/31/2032	Land for Liuke Plant	The company has preemptive right for the land

## X. VI. Financial Highlights

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

#### (1) Condensed Balance Sheet and Condensed Statement of Income

##### (1) Condensed Balance Sheet - Consolidated

Unit: Thousand NT\$

Item	Year	Financial information for most recent five years (Note 1)					As of March 31, 2021
		2020	2019	2018	2017	2016	
Current Assets		2,648,020	1,934,710	2,075,407	1,881,026	1,864,406	2,279,881
Financial assets carried at cost, available for sale financial assets and investments accounted for using the equity method		562,554	529,595	530,155	577,191	522,977	562,447
Property, Plant and Equipment		1,776,610	1,446,980	1,659,639	1,386,159	1,190,219	1,931,211
Intangible Assets		141,430	140,496	-	-	-	-
Other Assets		255,818	173,814	112,821	76,137	101,797	261,364
Total Assets		5,384,424	4,225,595	4,378,022	3,920,513	3,679,399	5,034,903
Current Liabilities	Before distribution	1,310,449	975,811	1,194,983	872,282	830,877	1,083,367
	After distribution	Note 2	1,202,576	1,439,889	1,108,118	976,007	1,284,779
Noncurrent Liabilities		281,316	93,809	59,520	80,068	106,513	255,930
Total Liabilities	Before distribution	1,591,765	1,069,620	1,254,503	952,350	937,390	1,339,297
	After distribution	Note 2	1,296,385	1,499,409	1,188,186	1,082,520	1,540,709
Equity Attributable to Shareholders of the Parent Company		3,792,659	3,155,975	3,123,519	2,968,163	2,742,009	3,695,606
Capital Stock		1,007,060	907,060	907,060	907,060	905,770	1,007,060
Capital Surplus		1,056,191	670,626	662,323	654,332	649,453	1,062,415
Retained Earnings	Before distribution	1,832,756	1,634,582	1,560,578	1,397,087	1,157,258	1,732,129
	After distribution	Note 2	1,407,817	1,315,672	1,161,251	1,012,128	1,530,707
Exchange Differences on Translation of Financial Statements		-127,821	-68,651	-28,476	-15,942	4,580	-123,890
Unrealized Gain or Loss on Financial Instrument		-	-	-	25,626	24,948	-
Measured at fair value through other comprehensive income		24,473	12,358	22,034	-	-	17,892
Noncontrolling Interests		-	-	-	-	-	-
Total Equity	Before distribution	3,792,659	3,155,975	3,123,519	2,968,163	2,742,009	3,695,606
	After distribution	Note 2	2,929,210	2,878,613	2,732,327	2,596,879	3,494,194

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

Note 2: The 2020 earnings distribution proposal total 201,412,000 is scheduled for Board of Directors resolution on February 26, 2021.

## (2) Condensed Statement of Comprehensive Income - Consolidated

Unit: Thousand NT\$

Item \ Year	Financial information for most recent five years (Note 1)					As of March 31, 2021
	2020	2019	2018	2017	2016	
Net Revenue	3,818,761	3,936,381	4,049,356	3,979,248	3,816,849	969,794
Gross Profit (Loss)	861,104	686,856	760,355	791,686	679,282	212,788
Income (Loss) from Operations	470,903	338,636	412,968	473,810	378,600	111,439
Non-operating Income and Expense	31,317	38,329	81,288	1,686	-16,946	16,353
Income before Income Tax	502,220	376,965	494,256	475,496	361,654	127,792
Income from Continuing Operation	399,473	324,475	397,732	386,475	286,198	100,785
Loss from Discontinued Operation	-	-	-	-	-	-
Net Income	399,473	324,475	397,732	386,475	286,198	100,785
Other Comprehensive Income	-48,801	-55,416	-27,410	-21,360	-30,857	-2,650
Total Comprehensive Income for the Year	350,672	269,059	370,322	365,115	255,341	98,135
Net Income Attributable to Shareholders of the Parent Company	399,473	324,475	397,732	386,475	286,198	100,785
Net Income Attributable to Noncontrolling Interests	-	-	-	-	-	0
Total Comprehensive Income Attributable to Shareholders of the Parent Company	350,672	269,059	370,322	365,115	255,341	98,135
Total Comprehensive Income Attributable to Noncontrolling Interests	-	-	-	-	-	-
Earnings per Share	4.36	3.58	4.38	4.26	3.18	1.00

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

## (3) Condensed Balance Sheet - Unconsolidated

Unit: Thousand NT\$

Year		Financial information for most recent five years (Note 1)				
Item		2020	2019	2018	2017	2016
Current Assets		2,316,628	1,804,099	1,854,822	1,788,551	1,765,734
Financial assets carried at cost, available for sale financial assets and investments accounted for using the equity method		1,452,102	923,069	898,077	669,396	620,263
Property, Plant and Equipment		1,225,180	1,278,879	1,497,215	1,385,988	1,189,993
Intangible Assets		57,252	72,228	0	0	0
Other Assets		136,278	71,027	42,597	75,987	101,561
Total Assets		5,187,440	4,149,302	4,292,711	3,919,922	3,677,551
Current Liabilities	Before distribution	1,128,049	899,518	1,109,672	871,691	829,029
	After distribution	Note 2	1,126,283	1,354,578	1,107,527	974,159
Noncurrent Liabilities		266,732	93,809	59,520	80,068	106,513
Total Liabilities	Before distribution	1,394,781	993,327	1,169,192	951,759	935,542
	After distribution	Note 2	1,220,092	1,414,098	1,187,595	1,080,672
Equity Attributable to the Shareholders of the Parent		3,792,659	3,155,975	3,123,519	2,968,163	2,742,009
Capital Stock		1,007,060	907,060	907,060	907,060	905,770
Capital Surplus		1,056,191	670,626	662,323	654,332	649,453
Retained Earnings	Before distribution	1,832,756	1,634,582	1,560,578	1,397,087	1,157,258
	After distribution	Note 2	1,407,817	1,315,672	1,161,251	1,012,128
Exchange Differences on Translation of Financial Statements		127,821	-68,651	-28,476	-15,942	4,580
Unrealized gain or loss on financial instrument		-	-	-	25,626	24,948
Equity instrument investment interests measured at fair value through other comprehensive profit and loss		24,473	12,358	22,034	-	-
Noncontrolling Interests		-	-	-	-	-
Total Equity	Before distribution	3,792,659	3,155,975	3,123,519	2,968,163	2,742,009
	After distribution	Note 2	2,929,210	2,878,613	2,732,327	2,596,879

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

Note 2: The 2020 earnings distribution of the total amount NT\$201,412,000 is resolved by the Board of Directors on February 26, 2021.

## (4) Condensed Statement of Comprehensive Income - Unconsolidated

Unit: Thousand NT\$

Item	Financial information for most recent five years (Note 1)				
	2020	2019	2018	2017	2016
Net Revenue	3,616,758	3,840,853	4,028,591	3,963,856	3,812,866
Gross Profit (Loss)	827,071	678,379	752,896	785,289	677,269
Income (Loss) from Operations	478,683	358,652	411,143	474,161	380,712
Nonoperating Income and Expenses	16,754	17,918	83,113	1,335	-19,058
Income before Income Tax	495,437	376,570	494,256	475,496	361,654
Income from Continuing Operation	495,437	376,570	494,256	386,475	286,198
Loss from Discontinued Operation	-	-	-	-	-
Net Income	399,473	324,475	397,732	386,475	286,198
Other comprehensive income	-48,801	-55,416	-27,410	-21,360	-30,857
Total comprehensive income for the period	350,672	269,059	370,322	365,115	255,341
Basic earnings per share	4.36	3.58	4.38	4.26	3.18

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

## (2) Names of CPAs and their Audit Opinions

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

Year	CPA Firm	Names of CPAs	Audit Opinion
2016	Deloitte Taiwan	Lin Shu-Wan, Wong Ya-Lin	Unqualified opinion
2017	Deloitte Taiwan	Xiu Xiu-Ming, Lin Shu-Wan	Unqualified opinion
2018	Deloitte Taiwan	Xu Xiu-Ming, Wong Ya-Lin	Unqualified conclusion / opinion (significant events or other events)
2019	Deloitte Taiwan	Xu Xiu-Ming, Wong Ya-Lin	Unqualified opinion
2020	Deloitte Taiwan	Xu Xiu-Ming, Wong Ya-Lin	Unqualified conclusion

## 2. Five-Year Financial Analysis:

### (1) Financial Analysis

#### (1) Consolidated statement

Item \ Year		Financial information for most recent five years (Note 1)					As of March 31, 2021
		2020	2019	2018	2017	2016	
Financial Structure (%)	Debt to assets ratio	29.56	25.31	28.65	24.29	25.48	26.60
	Long-term capital to property, plant and equipment ratio	229.31	224.59	191.79	219.9	239.33	220.48
Liquidity Analysis (%)	Current ratio	202.07	198.27	173.68	215.64	224.39	210.44
	Quick ratio	165.34	146.7	116.42	163.96	165.80	158.49
	Interest coverage ratio (times)	73.47	52.46	140.94	179.02	123.35	65.9
Operating Performance	Receivables (times)	3.66	3.84	3.67	3.63	3.66	3.7
	Accounts receivable collecting days	100	95	99	100	99	99
	Inventory turnover (times)	6.98	6.51	6.92	7.80	7.24	7.85
	Average inventory turnover days	52	56	53	46	50	46
	Payables turnover (times)	12.51	11.31	8.96	8.41	9.04	11.64
	Property, plant and equipment turnover (times)	2.37	2.53	2.66	3.09	4.39	2.17
	Total assets turnover (times)	0.79	0.92	0.98	1.06	1.06	0.74
Profitability	Return on assets (%)	8.43	7.68	9.65	10.23	7.98	7.86
	Return on equity (%)	11.5	10.33	13.06	13.54	10.78	10.77
	Pre-tax profit to paid-in capital ratio (%)	49.87	41.56	54.49	52.42	39.93	50.76
	Net margin (%)	10.46	8.24	9.82	9.71	7.50	10.39
	Earnings per share	4.36	3.58	4.38	4.26	3.18	1.00
Cash Flow	Cash flow ratio (%)	65.25	58.84	32.26	53.19	78.46	79.07
	Cash flow adequacy (%)	96.76	97.17	96.9	103.563	136.03	93.42
	Cash flow reinvestment ratio (%)	9.73	6.01	2.89	6.34	12.01	13.39
Leverage	Operating leverage	2.89	3.23	2.77	2.43	2.63	3.08
	Financial leverage	1.01	1.02	1.01	1.01	1.01	1.02
Explain the reasons for 20% changes in the financial ratios in 2020 and 2019:							
1. Interest coverage ratio		The net profit before tax is increased over the last year, so that this ratio is increased.					
2. Turnover rate of accounts payable (times)		The net profit before tax is increased over the last year, so that this ratio is increased.					
3. Net margin (%)		The net profit after tax is increased over the last year, so that this ratio is increased.					
4. Cash flow reinvestment ratio(%)		The cash flow of business activities is increased over the last year, so that this ratio is increased					

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

## (2) Unconsolidated statement

Item		Year	Financial information for most recent five years (Note 1)				
		2020	2019	2018	2017	2016	
Capital Structure Analysis (%)	Debts Ratio	26.89	23.94	27.24	24.28	25.44	
	Long-Term Fund to Property, Plant and Equipment	331.33	254.11	212.6	219.93	239.37	
Liquidity Analysis (%)	Current Ratio	205.37	200.56	167.15	205.18	212.99	
	Quick Ratio	168.62	151.19	154.39	155.29	149.02	
	Interest coverage ratio (Times)	88.49	62.85	140.94	179.02	123.35	
Operating Performance Analysis	Receivables turnover (times)	3.43	3.62	3.66	3.62	3.65	
	Accounts receivable collecting days	106	101	100	101	100	
	Inventory turnover (times)	7.5	6.75	7.05	7.91	7.28	
	Average inventory turnover days	49	54	52	46	50	
	Payables turnover (times)	13.59	11.13	8.92	8.4	9.05	
	Property, plant and equipment turnover (times)	2.89	2.77	2.79	3.08	4.38	
	Total assets turnover (times)	0.77	0.91	0.98	1.04	1.06	
Profitability Analysis	Return on Assets (%)	8.65	7.8	9.75	10.23	7.98	
	Return on Equity (%)	11.5	10.33	13.06	13.54	10.78	
	Pre-tax Income to Paid-in Capital Ratio (%)	49.2	41.52	54.49	52.42	39.93	
	Net margin (%)	11.05	8.45	9.87	9.75	7.51	
	Earnings per Share	4.36	3.58	4.38	4.26	3.18	
Cash Flow	Cash Flow Ratio (%)	78.09	54.12	38.23	53.25	79.81	
	Cash Flow Adequacy Ratio (%)	111.54	100.61	99.42	98.70	129.36	
	Cash Flow Reinvestment Ratio (%)	10.33	4.49	3.64	6.35	12.22	
Leverage	Operating Leverage	2.67	2.99	2.77	2.41	2.61	
	Financial Leverage	1.02	1.01	1.01	1.01	1.01	
Explain the reasons for 20% changes in the financial ratios in 2020 and 2019:							
1. Long-Term Fund to Property, Plant and Equipment		The cash flow increase and the profit before tax of this year are increased, so that the long term fun is increased.					
2. Interest coverage ratio		The net profit before tax is increased over the last year, so that this ratio is increased.					
3. Payables turnover		The cost of goods sold is decreased over the same period of last year, so that payables turnover is decreased.					
4. Net margin		The net profit after tax is increased over the last year, so that this ratio is increased.					
5. Earnings per Share		The equity of owners of the parent company is increased over the last year, so that this ratio is increased.					
6. Cash flow ratio(%)		The cash flow of business activities is increased over the last year, so that this ratio is increased.					
7. Cash flow reinvestment ratio(%)		The cash flow of business activities is increased over the last year, so that this ratio is increased.					

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

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

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

1. Capital structure analysis

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

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

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

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

1. Net cash flow from operating activities is net cash inflow amounts from operating activities listed in the statement of cash flows.
2. Capital expenditures is the amount of cash outflows for annual capital investment.
3. Inventory increase will only be entered when the ending balance is larger than the

- beginning balance. An inventory decrease at year end will be deemed zero for calculation.
4. Cash dividend includes cash dividends from both common shares and preferred shares.
  5. Gross property, plant and equipment value means the total value of property, plant and equipment prior to the subtraction of accumulated depreciation.

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

3. Supervisors' report for recent financial report

San Fu Chemical Co., Ltd.  
Supervisors' Report

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statement and proposal for earnings distribution. Of these, the financial statement was audited by the CPAs Xu Xiu-Ming and Wong Ya-Ling of Deloitte Taiwan and an audit report has been presented.

The above Business Report, Financial Statement and proposal for earning distribution were reviewed and determined to be correct and accurate by the supervisors in accordance with relevant company regulations and Article 219 of the Company Act. We hereby submit this report.

2021 Shareholders' Meeting of San Fu Chemical Co., Ltd.

Supervisor: Pilot Keymark SDN.BHD  
Legal representative: Zhong Su-Sheng



Supervisor: You Sheng-Fu



Supervisor: Huang Ming-Fu



March 30, 2021

4. Financial statements for the most recent fiscal year, including an auditor's report prepared by a CPA, a two-year comparative balance sheet and income statement, statement of changes in shareholders' equity, cash flow statement, and any attached notes or appendices: Refer to pgs. 179-254.
5. Consolidated financial statement for the parent company and its subsidiaries for the most recent fiscal year, certified by a CPA: Refer to page 110-178.
6. Financial turnover difficulties of the Company and its affiliates: None

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

### 1. Financial Status

Unit: Thousand NT\$

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	2,648,020	1,934,710	713,310	36.87%
Financial assets carried at cost, available for sale financial assets and investments accounted for using the equity method	562,554	529,595	32,959	6.22%
Property, Plant and Equipment	1,776,610	1,446,980	329,630	22.78%
Intangible Assets	141,430	140,496	934	0.66%
Other Assets	255,810	173,814	81,996	47.17%
Total Assets	5,384,424	4,225,595	1,158,829	27.42%
Current Liabilities	1,310,449	975,811	334,638	34.29%
Noncurrent Liabilities	281,316	93,809	187,507	199.88%
Total Liabilities	1,591,765	1,069,620	522,145	48.82%
Capital Stock	1,007,060	907,060	100,000	11.02%
Capital Surplus	1,056,191	670,626	385,565	57.49%
Retained Earnings	1,832,756	1,634,582	198,174	12.12%
Others	-103,348	-56,293	-47,055	83.59%
Total Shareholder Equity	3,792,659	3,155,975	636,684	20.17%

#### Explanation of Major Changes

1. The increase of current assets is mainly caused by the increase of loans, so that both cash and cash equivalents are increased accordingly.
2. The increase of property, plant, and equipment is mainly caused by the transfer of incomplete construction of this year.
3. The increase of other assets is mainly caused by the pre-payment of equipment of this year.
4. The increase of current liabilities is mainly caused by the increase of contract liabilities and short-term loans of real estate construction.
5. The increase of non-current liabilities is mainly caused by the increase of long-term bank loans.
6. The increase of capital stock is caused by the increase of cash capital increase.
7. The increase of capital surplus is mainly caused by the premium of cash capital increase stock issuance of this year.
8. The increase of other equity loss is mainly caused by the drop of exchange rate that affects the financial reports of foreign operation institutions, so that the exchange loss is increased.

## 2. Financial Performance

### (1) Financial Performance Comparison and Analysis

Unit: Thousand NT\$

Item \ Year	2020	2019	Difference	(%)
Total Revenue	3,818,716	3,936,381	-117,665	-2.99%
Less: Cost of Revenue	2,957,612	3,249,525	-291,913	-8.98%
Gross Profit	861,104	686,856	174,248	25.37%
Income from Operations	470,903	338,636	132,267	39.06%
Non-operating Income and Expenses	31,317	38,392	-7,075	-18.43%
Income before Income Tax	502,220	376,965	125,255	33.23%
Less: Income Tax Expenses	-102,747	-52,490	-50,257	95.75%
Net Income	399,473	324,475	74,998	23.11%
Other Comprehensive Income	-48,801	-55,416	6,615	-11.94%
Total Comprehensive Income for the Year	350,672	269,059	81,613	30.33%

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

1. The increase of gross profit is mainly caused by the decrease in the operation cost of the same period last year.
2. The increase of net profit is mainly caused by the increase of gross profit of the same period last year.
3. The increase of income tax expense is caused by the increase of net profit before tax.
4. The decrease of other comprehensive profit and loss is caused by the difference between financial asset and affiliates' recognition.
5. The increase of comprehensive loss is caused by the increase of net profit in this period.

## 3. Cash Flow

### (1) Cash Flow Analysis for the Recent Year

Unit: Thousand NT\$

Cash Balance at Start of Period	Net Cash Provided by Operating Activities	Net Cash Used for Investment Activities	Net Cash Used for Financing Activities	Effect of Exchange Rate Changes	Cash Balance at End of Period
215,819	855,007	(816,184)	578,055	(38,091)	794,606

1. Operating activities: The increase of net profit after tax is mainly caused by the cash inflow.
2. Investment activities: The increase of time deposits, purchase of fixed assets and long-term prepayment of capital expenditures.
3. Financing activities: The increase of cash capital and loans in this period.

### (2) Cash Flow Analysis for the Coming Year

Unit: Thousand NT\$

Cash Balance at Start of Period	Net Cash Provided by Operating Activities in the Year	Cash Outflow in the Year	Cash Balance (Shortfall)	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
794,606	655,000	(1,153,000)	296,606	-	-

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

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

4. Effect of major capital expenditures on finance and business in the recent year: N/A

5. Reinvestment policy in the recent year, major causes of profits and losses, improvement plan and investment plan for the coming year

(1) Reinvestment policy

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

(2) Major cause of reinvested enterprise profits or losses and improvement plan 12/31/2021

Unit: Thousand NT\$

Item	Description	2020 profit or (loss) of invested company	Shareholding (%)	Major reason for profit or loss	Improvement plan	Other future investment plans
	San Fu Specialty Chemicals Investments Limited (SAMOA)	7,388	100.00	This company's profits are considered normal	—	None
	San Fu Food Additives Investments Limited	0	100.00	—	—	None
	VinaSanFu Industrial Gas Company Limited	(4,207)	100.00	—	—	None
	VinaSanFu Material Company Limited	(5,490)	100.00	—	—	None
	San Fu Biotech Co., Ltd.	17,694	100.00	This company's operations are considered normal	—	None
	International Nitto Technology Co., Ltd.	(2,716)	100.00	This company's operations are considered normal	---	None
	Horng Cherng Enterprise Co., Ltd.	1,972	50.00	This company's profits are considered normal	—	None
	Li Fu Carbonic Acid Co., Ltd.	(5,650)	25.00	This company's profits are considered normal	—	None
	Shian Yun Joint Stock Company	(6,493)	33.33	This company's profits are considered normal	—	None
	Shanghai San Fu Ming Electronic Materials Co., Ltd.	17,432	50	This company's profits are considered normal	—	None
	Sino Star Holding Limited	1	100.00	—	—	None
	Fanda International (Samoa) Ltd (Note)	-	41.94	—	—	None

Note: Liquidated in January 2021.

(3) Investment plan for the coming year:

1. Increase plant construction capital expenditures for Vietnam subsidiary to operate industrial gas product and service business.

2. The TMAH-R Phase II factory is constructed to expand the semiconductor chemical business.

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

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

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

(1) Effect on profit or loss

The company's interest income in 2020 and 2019 was NT\$1,266,000 and NT\$1,831,000 respectively, accounting for 0.25% and 0.49% of the net profit before tax in that year, and the net interest expense in 2020 and 2019 was NT\$6,930,000 and NT\$7,325,000 respectively, accounting for 1.38% and 1.94% of the net profit before tax in that year. The risk of interest income and interest expense to the company's profit and loss is still controllable.

(2) Future countermeasures

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

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

(1) Effect on profit or loss

The exchange gains and losses of the company in 2020 and 2019 were NT\$11,086,000 of exchange losses and NT\$37,392,000 of exchange gains, accounting for (2.21%) and 9.92% of the net profit before tax of the year respectively. Most of San Fu's products are sold domestically and most of our exported products are priced in US dollars. Some foreign purchases are also priced in US dollars. The offset of account receivables has a certain level of natural hedging effect. So, any significant disadvantageous international exchange rate change may still have a disadvantageous effect on currency exchange.

(2) Future countermeasures:

A. Collect market information to determine trends and evaluate risks. Stay in close communication with banks to keep informed about exchange rate trends. Adjust

foreign currency positions at appropriate times to avoid current exchange risks.

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

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

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

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

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

2. The Company has set up Loan of Funds to Other Parties procedures to serve as basis for loaning funds to other parties. As of the publication of this Annual Report, the balance of the company's fund loans to others is NT\$850 million, which has not been used yet, so the balance is still NT\$850 million.

3. The Company has set up Endorsement and Guarantee procedures to serve as a basis for endorsement and guarantee work. As of the date of publication of this Annual Report, the balance of endorsement and guarantee of the company is NT\$110 million, NT\$140 million has been used, so the balance is NT\$960 million.

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

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

1. The company's R & D focuses on product expansion with existing technical advantages and material demand driven by new industries. 1. Give full play to the market share of TMAH recycling and the integration of purification technology and formulation knowledge to develop IC grade developer so that the recycled products can be reused to IC customers and implement circular economy. 2. Strengthen the establishment of core technology platform, hydrogenation, electrolysis and purification chemical, etc. and develop high value-added products based on this technology; 3. Develop the formulation of electronic chemicals, cooperate with the product demand development of LCD, IC packaging, IC manufacturing customers; 4. Continue to actively engage in the process improvement of existing products PHBA, Paraben, CHA, DCHA, TMAH, so as to make the process more energy-saving and efficient, so as to reduce costs and create profits. 5. In cooperation with National Cheng Kung University, we plan to research

and develop the solid-state electrolyte for lithium battery, cultivate battery related talents and strengthen the R & D strength. For the purchase and update of R & D analysis equipment and analysis methods, the company continues to expand more advanced equipment, including: ICP MS / MS (inductively coupled plasma tandem mass spectrometer), LC-MS (liquid chromatography mass spectrometer), GPC (gel permeation chromatography) SEM (scanning electron microscope) and other ppt level detection limits required by IC customers are used as tools for application development and analysis of new process chemicals.

2. The R & D investment in 2021 is about NT\$41,000,000. Please refer to the following table for R & D project and plan description:

<b>Recent Annual Plan</b>	<b>Current Progress</b>	<b>Reinvested R&amp;D Funds (Thousand NTS)</b>	<b>Mass Production Completion Date</b>	<b>Major Factors Affecting Success of Future R&amp;D</b>
Recycled TMAH solution purity reaches IC grade	Pilot line installation design	23,000	End of 2021	Purified resin and equipment stability
Formulation development and recovery system of recyclable etching solution for LCD copper process	Execute science project plan	4,000	End of 2021	Coordination degree of colloidal electrolyte with positive and negative electrode materials and establishment of detection method
Application of colloidal electrolyte with high ion conduction in lithium battery	Pilot line setup design	8,000	End of 2021	The matching of formulation and purified resin.
Development of Non NMP/DMSO Photoreist stripper	Certified by customer, developed based on different customer requirements	6,000	End of 2020	Collect customer certification data

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

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

(5) Effect of technology and industry changes on company finances and countermeasures:

The Company keeps informed of industry technology, developments and changes, closely monitors industry activity and constantly improves its R&D capabilities. In the future, San Fu will actively develop application fields in related markets.

Therefore, technology and industry changes will not have a significant effect on company finances and business.

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

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

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

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

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

The subsidiary is expected to complete the first-phase 25% electrolysis production capacity of 50,000 tons by the middle of next year, and will complete the matched 2.38% purification and dilution production capacity by the end of next year, and then gradually expand to the 25% TMAH production line and the matched purified and dilute production line to the capacity of 10,000 tons.

With the increasing expansion of the IC industry, it is imperative to develop IC-grade TMAH recycled liquid. However, in the future, the 25% TMAH produced by subsidiaries will face the sales problem. If the produced 25% TMAH is dumped to the foreign markets at a low price, the profit will be dropped to a level less than the estimated 20%, and it may also incur the risk of building a factory.

- (9) Risks associated with business concentration:

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

provision. If there is a shortage of raw materials in the market, the Company is given priority.

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

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

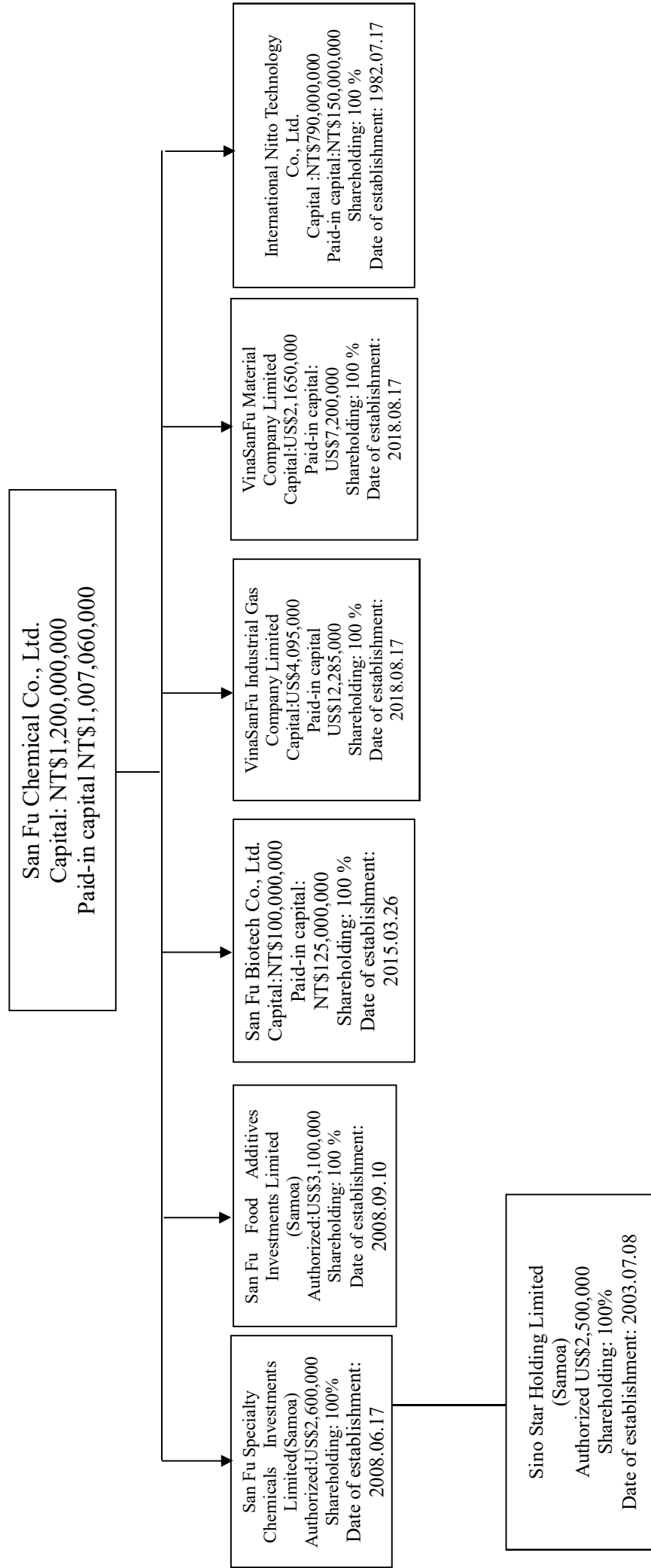
- (10) Impact or risk associated with large transfers or changes in shareholdings by directors or major shareholders with holdings over 10%: There has been no large transfer of shareholdings by the Company' s directors, supervisors or major shareholders with holdings over 10% so there has been no major impact on operations due to large transfers or changes in shareholdings.
- (11) The effect of ownership change on the Company and its risk: The Company has not passed through any ownership change.
- (12) Litigious and non-litigious matters that could have a major effect on shareholder equity or security prices: No such events have occurred at the Company in 2021 and as of the publication date.
- (13) Other important risks: Besides the related information security risk evaluation performed by the Company' s Information Department, there were no other significant risks in 2021 and up to the date of annual report publication.

7. Other significant events: None

## XI. Special Disclosures

### 1. Affiliated company information

#### (1) Affiliated company organization chart



## (2) Summary of Affiliated Companies

Company	Date of Establishment	Address	Currency	Paid-in Capital	Main Business or Items Produced	Shareholder percentage	Exchange Rate
San Fu Specialty Chemicals Investments Limited	2008	Portcullis TrustNet Chambers, P.O.Box 1225, Apia, SAMOA	USD	2,350,840	General investment	100%	28.48
San Fu Food Additives Investments Limited	2008	Portcullis TrustNet Chambers, P.O.Box 1225, Apia, SAMOA	USD	552,198	General investment	100%	28.48
Lucky Star Holding Limited	2008	Portcullis TrustNet Chambers, P.O.Box 1225, Apia, SAMOA	USD	1,324,539	General investment	100%	28.48
San Fu Biotech Co., Ltd.	2015	7F, No. 21 Zhongshan N. Rd. Sec. 2, Taipei City	NTD	125,000,000	Manufacturing and sales of food additives	100%	1
VinaSanFu Industrial Gas Company Limited	2018	609 Room, 6F, DMC tower, No 535, Kim Ma street, Ba Dinh district, Ha noi city, Vietnam	USD	12,285,000	General investment	100%	0.0011
VinaSanFu Material Company Limited	2018	609 Room, 6F, DMC tower, No 535, Kim Ma street, Ba Dinh district, Ha noi city, Vietnam	USD	10,700,000	General investment	100%	0.0011
International Nitto Technology Co., Ltd.	2002	No. 26 Huandong Rd. Sec. 2 Sanhua District, Tainan City Southern Taiwan Science Park	NTD	150,000,000	Electronic component manufacturing	100%	1

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

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

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

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

(4) If affiliated companies have interlocking businesses, describe their division of work: None

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

Company	Title	Name or Representative	Shareholding	
			Shares	%
San Fu Specialty Chemicals Investments Limited	Director	San Fu Chemical Co., Ltd. Representative – Wu Xin-Hong	2,350,840	100%
San Fu Food Additives Investments Limited	Director	San Fu Chemical Co., Ltd. Representative – Wu Xin-Hong	552,198	100%
Sino Star Holding Limited	Director	San Fu Specialty Chemicals Investments Limited Representative – Wu Xin-Hong	1,867,838	100%
San Fu Biotech Co., Ltd.	Director	San Fu Chemical Co., Ltd. Representative – Wu Xin-Hong	12,500,000	100%
VinaSanFu Industrial Gas Company Limited	President	San Fu Chemical Co., Ltd. Representative – Chen Jie-Yu	– (note)	100%
VinaSanFu Material Company Limited	President	San Fu Chemical Co., Ltd. Representative – Chen Jie-Yu	– (note)	100%
International Nitto Technology Co., Ltd.	Director	San Fu Chemical Co., Ltd. Representative- Tsai Jie-Rong	15,000,000	100%

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

#### (6) Operational Highlights of Affiliated Companies

Company	San Fu Specialty Chemicals Investment Limited	San Fu Food Additives Investments Limited	Sino Star Holding Limited	San Fu Biotech Co., Ltd.	VinaSanFu Industrial Gas Co., Ltd.	VinaSanFu Material Co., Ltd.	International Nitto Technology Co., Ltd.
Currency	USD	USD	USD	NTD	VND	VND	NTD
Paid-up Capital	2,350,840	552,198	1,867,838	125,000,000	285,960,125,000	248,704,790,700	150,000,000
Total Assets	14,508,141	0	1,946,380	305,700,418	297,762,549,027	262,741,941,516	178,375,483
Total Liabilities	0	12,068	0	157,148,873	17,941,379,113	20,332,313,511	22,656,447
Operating Revenue	0	0	0	274,033,454	0	0	0
Net Income	250,042	15	43	21,064,872	0	0	(2,655,715)
Profit & loss current period (after tax)	250,042	15	43	17,693,458	(3,658,666,344)	(4,773,005,303)	(2,655,715)
Earnings per share	0.11	0.00	0.00	1.42	-(note 1)	-(note(1))	(0.18)

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

#### (7) Consolidated income statements of affiliated companies

The list of companies required to be included in the consolidated financial statements of affiliated enterprises under "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" by the Company in 2020 (January 1, 2020 to December 31, 2020) is identical to the list of companies already included in the consolidated financial statements, prepared in accordance with IFRS 27. Since all information required above has already been disclosed in the consolidated financial statements, the Company would not prepare separate consolidated financial statements for affiliated enterprises.

#### (8) Affiliated company reports: Not applicable

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

**XII.IX. Other significant events affecting shareholders' equity or stock price as defined in Article 36-2 of the Securities and Exchange Act: None**

**XIII.**

## DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

SAN FU CHEMICAL CO., LTD.

By:



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SIMON WU  
Chairman

March 29, 2021

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of San Fu Chemical Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2020 is as follow:

#### Measurement of Inventories

Inventories amounted to 7% (NT\$393,477 thousand) of the Group's consolidated total assets as of December 31, 2020. Please refer to Notes 4 and 10 for the accounting policies and the related disclosures of inventories. The inventories could be slow-moving or outdated due to the fluctuation in the demand market and the advancement in technology, which may result in impairment loss on inventories. The Group estimated the impairment loss of inventories based on the assessed net realized value and the evaluated aging of inventories quarterly. The estimation of net realized value and inventories aging assessment mainly depended on subjective management judgments and may affect the amount of impairment loss. As a result, the evaluation of inventories for impairment loss is determined to be a key audit matter.

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

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

#### **Other Matter**

We have also audited the standalone financial statements of San Fu Chemical Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 29, 2021

#### Notice to Readers

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

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

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

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

CONSOLIDATED BALANCE SHEETS  
 DECEMBER 31, 2020 AND 2019  
 (In Thousand of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 794,606	15	\$ 208,399	5
Financial assets at amortized cost - current (Notes 4 and 8)	233,792	4	6,285	-
Contract asset - current (Notes 4 and 21)	8,730	-	6,622	-
Notes receivable, net (Notes 4 and 9)	43,521	1	38,829	1
Accounts receivable, net (Notes 4 and 9)	1,050,565	20	923,493	22
Receivable from related parties (Notes 4 and 29)	9,590	-	21,444	1
Inventories (Notes 4 and 10)	393,477	7	454,433	11
Prepayments	87,893	2	48,754	1
Non-current assets held for sale (Notes 4 and 11)	-	-	186,946	4
Other current assets	25,846	-	39,505	1
<b>Total current assets</b>	<b>2,648,020</b>	<b>49</b>	<b>1,934,710</b>	<b>46</b>
<b>NON-CURRENT ASSETS</b>				
Financial asset at fair value through other comprehensive income - non-current (Notes 4 and 7)	157,471	3	119,037	3
Investments accounted for using the equity method (Notes 4 and 13)	405,083	8	410,558	10
Contract asset - non-current (Notes 4 and 21)	5,941	-	14,617	-
Property, plant and equipment (Notes 4 and 14)	1,776,610	33	1,446,980	34
Right-of-use assets (Notes 4 and 15)	141,430	3	140,496	3
Deferred tax assets (Notes 4 and 23)	26,916	-	34,336	1
Prepayments for equipment	218,384	4	121,901	3
Refundable deposits	4,569	-	2,960	-
<b>Total non-current assets</b>	<b>2,736,404</b>	<b>51</b>	<b>2,290,885</b>	<b>54</b>
<b>TOTAL</b>	<b>\$ 5,384,424</b>	<b>100</b>	<b>\$ 4,225,595</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 16)	\$ 590,000	11	\$ 480,000	11
Contract liabilities - current (Notes 4 and 21)	156,922	3	10,255	-
Notes and accounts payable (Note 17)	250,795	5	215,349	5
Accounts payable - related parties (Note 29)	2,047	-	4,743	-
Other payables (Note 18)	185,114	4	191,999	5
Current tax liabilities (Notes 4 and 23)	64,497	1	14,464	-
Liabilities directly associated with non-current assets held for sale (Notes 4 and 11)	-	-	35,865	1
Lease liabilities - current (Notes 4 and 15)	19,611	-	19,544	1
Other current liabilities	3,391	-	3,592	-
Long-term liabilities due within one year (Note 16)	38,072	1	-	-
<b>Total current liabilities</b>	<b>1,310,449</b>	<b>25</b>	<b>975,811</b>	<b>23</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 16)	194,501	4	-	-
Deferred tax liabilities (Notes 4 and 23)	108	-	-	-
Lease liabilities - non-current (Notes 4 and 15)	59,806	1	53,035	1
Net defined benefit liabilities - non-current (Notes 4 and 19)	24,538	-	37,914	1
Other non-current liabilities	2,363	-	2,860	-
<b>Total non-current liabilities</b>	<b>281,316</b>	<b>5</b>	<b>93,809</b>	<b>2</b>
<b>Total liabilities</b>	<b>1,591,765</b>	<b>30</b>	<b>1,069,620</b>	<b>25</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)</b>				
Share capital				
Ordinary shares	1,007,060	19	907,060	21
Capital surplus	1,056,191	19	670,626	16
Retain earnings				
Legal reserve	250,297	5	217,850	5
Special reserve	56,293	1	6,442	-
Unappropriated earnings	1,526,166	28	1,410,290	34
Total retain earnings	1,832,756	34	1,634,582	39
Other equity				
Exchange differences on translating foreign operations	(127,821)	(2)	(68,651)	(1)
Unrealized gain on financial asset at fair value through other comprehensive income	24,473	-	12,358	-
Total other equity	(103,348)	(2)	(56,293)	(1)
<b>Total equity</b>	<b>3,792,659</b>	<b>70</b>	<b>3,155,975</b>	<b>75</b>
<b>TOTAL</b>	<b>\$ 5,384,424</b>	<b>100</b>	<b>\$ 4,225,595</b>	<b>100</b>

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

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 29)	\$ 3,818,716	100	\$ 3,936,381	100
OPERATING COSTS (Notes 10, 22 and 29)	<u>2,957,612</u>	<u>78</u>	<u>3,249,525</u>	<u>83</u>
GROSS PROFIT	<u>861,104</u>	<u>22</u>	<u>686,856</u>	<u>17</u>
OPERATING EXPENSES				
Selling and marketing expenses (Notes 22 and 29)	204,119	5	204,773	5
General and administrative expenses	145,175	4	116,009	3
Research and development expenses	<u>40,907</u>	<u>1</u>	<u>27,438</u>	<u>1</u>
Total operating expenses	<u>390,201</u>	<u>10</u>	<u>348,220</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>470,903</u>	<u>12</u>	<u>338,636</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 22 and 29)	41,941	1	50,085	1
Other gains and losses (Note 22)	(11,086)	-	(37,392)	(1)
Finance costs (Note 22)	(6,930)	-	(7,325)	-
Share of profit or loss of associates and joint ventures (Notes 4 and 13)	6,126	-	31,130	1
Interest income	<u>1,266</u>	<u>-</u>	<u>1,831</u>	<u>-</u>
Total non-operating income and expenses	<u>31,317</u>	<u>1</u>	<u>38,329</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	502,220	13	376,965	9
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(102,747)</u>	<u>(3)</u>	<u>(52,490)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>399,473</u>	<u>10</u>	<u>324,475</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(2,183)	-	(6,956)	-
Unrealized loss on financial assets at fair value through other comprehensive income	10,836	-	(13,876)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>1,716</u>	<u>-</u>	<u>5,591</u>	<u>-</u>
	<u>10,369</u>	<u>-</u>	<u>(15,241)</u>	<u>-</u>

(Continued)

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



**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDING DECEMBER 31, 2020 AND 2019**

(In Thousands of New Pisan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(61,999)	(1)	(26,319)	(1)
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method	<u>2,829</u>	<u>-</u>	<u>(13,856)</u>	<u>-</u>
	<u>(59,170)</u>	<u>(1)</u>	<u>(40,175)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(48,801)</u>	<u>(1)</u>	<u>(55,416)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 350,672</u>	<u>9</u>	<u>\$ 269,059</u>	<u>7</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Company	<u>\$ 399,473</u>	<u>10</u>	<u>\$ 324,475</u>	<u>8</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	<u>\$ 350,672</u>	<u>9</u>	<u>\$ 269,059</u>	<u>7</u>
<b>EARNINGS PER SHARE (Note 24)</b>				
Basic	<u>\$4.36</u>		<u>\$3.58</u>	
Diluted	<u>\$4.36</u>		<u>\$3.57</u>	

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

(Concluded)

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus (Note 20)	Retained Earnings (Note 20)		Unappropriated Earnings	Other Equity		Total Equity
	Number of Shares Authorized (In Thousand)	Amount		Legal Reserve	Special Reserve		Exchange Differences on Translating Foreign Operations	Unrealized Gain on Financial Asset at Fair Value through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2019	90,706	\$ 907,060	\$ 662,323	\$ 178,076	\$ -	\$ 1,382,502	\$ (28,476)	\$ 22,034	\$ 3,123,519
Appropriation of 2018 earnings	-	-	-	39,774	-	(39,774)	-	-	-
Legal reserve	-	-	-	-	6,442	(6,442)	-	-	-
Special reserve	-	-	-	-	-	(244,906)	-	-	(244,906)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-
Other changes in capital surplus	-	-	8,303	-	-	-	-	-	8,303
Donations from shareholders	-	-	-	-	-	324,475	-	-	324,475
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	-	-	-
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(5,565)	(40,175)	(9,676)	(55,416)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	318,910	(40,175)	(9,676)	269,059
BALANCE AT DECEMBER 31, 2019	90,706	907,060	670,626	217,850	6,442	1,410,290	(68,651)	12,358	3,155,975
Appropriation of 2019 earnings	-	-	-	32,447	-	(32,447)	-	-	-
Legal reserve	-	-	-	-	49,851	(49,851)	-	-	-
Special reserve	-	-	-	-	-	(199,553)	-	-	(226,765)
Cash dividends distributed by the Company	-	-	(27,212)	-	-	-	-	-	-
Other changes in capital surplus	-	-	6,746	-	-	-	-	-	6,746
Donations from shareholders	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares for cash	10,000	100,000	387,000	-	-	-	-	-	487,000
Share-based payment transaction	-	-	19,031	-	-	-	-	-	19,031
Net profit for the year ended December 31, 2020	-	-	-	-	-	399,473	-	-	399,473
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(1,746)	(59,170)	12,115	(48,801)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	397,727	(59,170)	12,115	350,672
BALANCE AT DECEMBER 31, 2020	100,706	\$ 1,007,060	\$ 1,056,191	\$ 250,297	\$ 56,293	\$ 1,526,166	\$ (127,821)	\$ 24,473	\$ 3,792,659

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

# SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 502,220	\$ 376,965
Adjustments for:		
Depreciation expenses	262,851	269,358
Finance costs	6,930	7,325
Interest income	(1,266)	(1,831)
Dividend income	(1,092)	(1,413)
Compensation cost of insurance of ordinary shares for cash	19,031	-
Share of profit of associates and joint ventures	(6,126)	(31,130)
Loss (Gain) on disposal of property, plant and equipment	40	(742)
Impairment loss recognized on non-financial assets	-	35,000
Write-downs of inventories	-	3,504
Reversal of write-down of inventories	(5,961)	-
Unrealized foreign currency exchange (gain) loss	(2,242)	7,642
Changes in operating assets and liabilities		
Contract asset - current	(2,108)	9,047
Notes receivable	(4,692)	4,439
Accounts receivable	(125,082)	79,205
Accounts receivable - related parties	12,027	(9,095)
Inventories	66,917	85,895
Prepayments	(39,142)	89,727
Other current assets	11,944	3,664
Contract asset - non-current	8,676	(2,922)
Contract liability	146,667	6,608
Notes and accounts payable	36,555	(128,605)
Accounts payable - related parties	(2,696)	(5,509)
Other payables	23,211	(96,539)
Other current liabilities	(29)	(598)
Net defined benefit liabilities - non-current	(15,559)	(23,383)
Other non-current liabilities	(497)	702
Cash generated from operations	<u>890,577</u>	<u>677,314</u>
Interest received	1,266	1,831
Dividend received	13,597	3,124
Interest paid	(6,963)	(7,283)
Income tax paid	<u>(43,470)</u>	<u>(100,815)</u>
Net cash generated from operating activities	<u>855,007</u>	<u>574,171</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive	(30,466)	-
Purchase of financial assets at amortized cost	(227,769)	(6,285)
Payments for property, plant and equipment	(390,166)	(216,145)
Proceeds from disposal of property, plant and equipment	472	742
Increase in refundable deposits	(1,609)	(1,449)
Increase in prepayments for equipment	<u>(166,646)</u>	<u>(126,432)</u>

(Continued)

# SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Net cash used in investing activities	<u>(816,184)</u>	<u>(349,569)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	103,000	7,000
Proceeds from long-term borrowings	240,000	-
Repayment of long-term borrowings	(7,427)	-
Repayment of the principal portion of lease liabilities	(24,499)	(22,847)
Dividends paid to owners of the Company	(226,765)	(244,906)
Insurance of ordinary shares for cash	487,000	-
Proceeds of donations from shareholders	<u>6,746</u>	<u>8,303</u>
Net cash generated from (used in) financing activities	<u>578,055</u>	<u>(252,450)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(38,091)</u>	<u>(22,437)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	578,787	(50,285)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>215,819</u>	<u>266,104</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 794,606</u>	<u>\$ 215,819</u>
Cash and cash equivalents at the end of the year adjusted:		
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash and cash equivalents of financial statements	\$ 794,606	\$ 208,399
Cash and cash equivalents included in noncurrent assets held for sale	<u>-</u>	<u>7,420</u>
Cash and cash equivalents at the end of the year	<u>\$ 794,606</u>	<u>\$ 215,819</u>

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

(Concluded)

# SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

The initial application of the Amendments to the IFRS 3 “Definition of a Business”, Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”, Amendments to IAS 1 and IAS 8 “Definition of Material” and Amendment to IFRS 16 “Covid-19-Related Rent Concessions” endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9” Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	Effective immediately upon promulgation by the IASB January 1, 2021

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: 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 3: 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 4: 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 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: 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.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### b. Basis of preparation

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

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

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

##### c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets expected to be realized within 12 months after the reporting period; and
- 2) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

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

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

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

##### d. Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

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

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

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

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

e. Business combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

f. Foreign currencies

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

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

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

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

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

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

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

g. Inventories

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

h. Investments in associates and joint ventures

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

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

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

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

the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

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

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

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

i. Property, plant and equipment

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

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

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

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

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

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

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

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

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

k. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

When a sale plan would result in a loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

When a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate previously classified as held for sale no longer meets the criteria to be classified as such, it is measured at the carrying amount that would have been recognized had such interests not been classified as held for sale. The consolidated financial statements for the prior periods with interests classified as held for sale are amended accordingly.

## 1. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

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

### 1) Financial assets

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

#### a) Measurement categories

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

##### i. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost - current, notes and accounts receivable, and receivable from related parties, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

## 2) Financial liabilities

### a) Subsequent measurement

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

### b) Derecognition of financial liabilities

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

## m. Revenue recognition

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

### 1) Revenue from the sale of goods

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

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

### 2) Revenue from the rendering of services

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

### 3) Construction contract revenue

Customers control properties while they are construction in progress, and thus, the Group recognizes revenue over time. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the construction and are reclassified to accounts receivable at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Group recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

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

n. Leasing

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

The Group as lessee

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

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

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

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

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

o. Borrowing costs

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

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Share-based payment arrangements

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

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

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

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

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

r. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

### 3) Current and deferred taxes for the year

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

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

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

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

### Key Sources of Estimation Uncertainty

#### Write-down of inventories

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

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 370	\$ 365
Demand deposits	524,236	208,034
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>270,000</u>	<u>-</u>
	<u>\$ 794,606</u>	<u>\$ 208,399</u>

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Demand deposits	0.001%-0.3%	0.001%-0.33%
Time deposits	0.06%	-

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Domestic investments		
Listed shares	\$ 47,020	\$ 29,786
Unlisted shares	<u>6,698</u>	<u>6,698</u>
	<u>53,718</u>	<u>36,484</u>
Foreign investments		
Unlisted shares	<u>103,753</u>	<u>82,553</u>
	<u>\$ 157,471</u>	<u>\$ 119,037</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments of equity instruments were classified as financial assets at fair value through other comprehensive income.

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months	\$ 11,392	\$ 6,285
Restricted demand deposits	<u>222,400</u>	<u>-</u>
	<u>\$ 233,792</u>	<u>\$ 6,285</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.06%-0.7% and 0.21% per annum as of December 31, 2020 and 2019, respectively.

Refer to Note 30 for information related to investments in financial assets at amortized cost pledge as security.

## 9. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ <u>43,521</u>	\$ <u>38,829</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,051,136	\$ 924,064
Less: Allowance for impairment loss	<u>(571)</u>	<u>(571)</u>
	<u>\$ 1,050,565</u>	<u>\$ 923,493</u>

The average credit period of sales of goods was 30 to 120 days. In order to minimize credit risk, the management of the Group 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 Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

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

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

The aging of receivables was as follows:

### December 31, 2020

	Not Past Due	1 to 90 Days	90 to 180 Days	181 to 365 Days	Over 365 Days	Indication of Default	Total
Expected credit loss rate	-	-	-	50%	100%	100%	-
Gross carrying amount	\$ 1,048,944	\$ 1,621	\$ -	\$ -	\$ 571	\$ -	\$ 1,051,136
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(571)</u>	<u>-</u>	<u>(571)</u>
Amortized cost	<u>\$ 1,048,944</u>	<u>\$ 1,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,050,565</u>

December 31, 2019

	Not Past Due	1 to 90 Days	90 to 180 Days	181 to 365 Days	Over 365 Days	Indication of Default	Total
Expected credit loss rate	-	-	-	50%	100%	100%	-
Gross carrying amount	\$ 918,888	\$ 4,508	\$ 97	\$ -	\$ 571	\$ -	\$ 924,064
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(571)</u>	<u>-</u>	<u>(571)</u>
Amortized cost	<u>\$ 918,888</u>	<u>\$ 4,508</u>	<u>\$ 97</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 923,493</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1 and December 31	<u>\$ 571</u>	<u>\$ 571</u>

**10. INVENTORIES**

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Merchandise	\$ 6,393	\$ 13,233
Finished goods	126,398	147,687
Work in progress	11,261	18,722
Semi-finished goods	1,883	2,931
Raw materials	226,800	246,416
Supplies	<u>20,742</u>	<u>25,444</u>
	<u>\$ 393,477</u>	<u>\$ 454,433</u>

The cost of inventories recognized as cost of goods sold (including construction cost) for the years ended December 31, 2020 and 2019 was \$2,957,612 thousand and \$3,249,525 thousand, respectively. The cost of goods sold included inventory write-downs reserved \$5,961 thousand and inventory write-downs \$3,504 thousand for the years ended December 31, 2020 and 2019, respectively.

**11. NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE**

On November 6, 2019, the disposal of 100% ownership of International Nitto Technology Co. has been approved by the Group's board of directors; however, due to practical situation, the Group's management team decided not to sell 100% ownership of International Nitto Technology Co. Therefore, the Group no longer classify it as non-current assets held for sale and liabilities directly associated with non-current held for sale. The Group has reclassified the related accounts in the consolidated balance sheet.

	<b>December 31, 2019</b>
Non-current assets held for sale	
Cash and cash equivalents	\$ 7,420
Prepayments	32
Other current assets	411
Property, plant and equipment	152,118
Right-of-use assets	<u>26,965</u>
Non-current assets classified as held for sale	<u>\$ 186,946</u>
Short-term borrowings	\$ 7,000
Other payables	1,386
Lease liabilities	27,298
Other current liabilities	<u>181</u>
Liabilities directly associated with non-current assets classified as held for sale	<u>\$ 35,865</u>

The net proceeds of disposal were expected to exceed the carrying amount of the related net assets and, accordingly, no impairment losses were recognized while reclassifying the assets and liabilities attribute to non-current asset held for sale.

## 12. SUBSIDIARIES

### Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			2020	2019
San Fu Chemical Co., Ltd.	San Fu Specialty Chemicals Investments Limited	Investment	100	100
	San Fu Food Additives Investments Limited	Investment	100	100
	VinaSanFu Industrial Gas Company Limited	Production of industrial gases	100	100
	VinaSanFu Material Company Limited	Production of industrial materials	100	100
	San Fu Biotech Co., Ltd.	Sales and production of food additives	100	100
	International Nitto Technology Co., Ltd.	Sales and production of electronic components	100	100
San Fu Specialty Chemicals Investments Limited	Sino Star Holding Limited	Investment	100	100

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Investments in associates	\$ 58,949	\$ 63,463
Investments in joint ventures	<u>346,134</u>	<u>347,095</u>
	<u>\$ 405,083</u>	<u>\$ 410,558</u>

The share of total comprehensive income for the years ended December 31, 2020 and 2019 was \$6,126 thousand and \$31,130 thousand, respectively.

a. Investments in associates

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Associates that are not individually material	<u>\$ 58,949</u>	<u>\$ 63,463</u>

Aggregate information of associates that are not individually material

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
The Group's share of:		
Net profit for the year	\$ (2,590)	\$ 1,689
Other comprehensive (loss) income	<u>(1,563)</u>	<u>(851)</u>
Total comprehensive income for the year	<u>\$ (4,153)</u>	<u>\$ 838</u>

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

b. Investments in joint ventures

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Material joint ventures		
Sanfuming Electronic Material Co., Ltd.	<u>\$ 346,134</u>	<u>\$ 347,095</u>

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights	
			<u>December 31</u>	<u>December 31</u>
			<u>2020</u>	<u>2019</u>
Sanfuming Electronic Material Co., Ltd.	International trading	Shanghai, China	50%	50%

All the joint ventures are accounted for using the equity method.

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

Sanfuming Electronic Material Co., Ltd.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	<u>\$ 111,217</u>	<u>\$ 43,015</u>
Current assets	\$ 503,171	\$ 509,035
Non-current assets	213,670	227,677
Current liabilities	<u>(87,881)</u>	<u>(109,166)</u>
Equity	<u>\$ 628,960</u>	<u>\$ 627,546</u>
Proportion of the Group's ownership	50%	50%
Equity attributable to the Group	\$ 314,480	\$ 313,773
Other adjustments (gain of losing control in subsidiaries)	32,643	32,643
Other adjustments (exchange rate affect)	<u>(989)</u>	<u>679</u>
Carrying amount	<u>\$ 346,134</u>	<u>\$ 347,095</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating revenue	<u>\$ 934,624</u>	<u>\$ 1,465,823</u>
Depreciation expenses and amortization expenses	<u>\$ 21,490</u>	<u>\$ 19,819</u>
Interest income	<u>\$ 379</u>	<u>\$ 254</u>
Income tax expenses	<u>\$ 6,105</u>	<u>\$ 21,964</u>
Net profit for the year	\$ 17,432	\$ 58,882
Other comprehensive income (loss)	<u>5,656</u>	<u>(27,694)</u>
Total comprehensive income for the year	<u>\$ 23,088</u>	<u>\$ 31,188</u>

#### 14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment	Transportation	Other Equipment	Property under Construction	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 63,707	\$ 935,677	\$ 1,882,018	\$ 307,229	\$ 276,534	\$ 197,812	\$ 3,662,977
Reclassifications	-	107,383	87,576	16,100	24,324	(227,128)	8,255
Additions	-	6,860	45,287	28,823	20,080	109,657	210,707
Disposals	-	-	(40,387)	(3,721)	(2,152)	-	(46,260)
Reclassify to held for sale	-	(155,451)	(5,745)	-	(321)	-	(161,517)
Effect of foreign currency exchange differences	-	-	-	-	-	(509)	(509)
Balance at December 31, 2019	<u>\$ 63,707</u>	<u>\$ 894,469</u>	<u>\$ 1,968,749</u>	<u>\$ 348,431</u>	<u>\$ 318,465</u>	<u>\$ 79,832</u>	<u>\$ 3,673,653</u>

(Continued)

	Land	Buildings	Equipment	Transportation	Other Equipment	Property under Construction	Total
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2019	\$ -	\$ 296,144	\$ 1,239,812	\$ 250,963	\$ 216,419	\$ -	\$ 2,003,338
Depreciation expenses	-	56,248	140,559	20,188	26,999	-	243,994
Impairment loss	-	-	33,284	-	1,716	-	35,000
Disposals	-	-	(40,387)	(3,721)	(2,152)	-	(46,260)
Reclassify to held for sale	-	(7,174)	(2,106)	-	(119)	-	(9,399)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 345,218</u>	<u>\$ 1,371,162</u>	<u>\$ 267,430</u>	<u>\$ 242,863</u>	<u>\$ -</u>	<u>\$ 2,226,673</u>
Carrying amounts at December 31, 2019	<u>\$ 63,707</u>	<u>\$ 549,251</u>	<u>\$ 597,587</u>	<u>\$ 81,001</u>	<u>\$ 75,602</u>	<u>\$ 79,832</u>	<u>\$ 1,446,980</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 63,707	\$ 894,469	\$ 1,968,749	\$ 348,431	\$ 318,465	\$ 79,832	\$ 3,673,653
Reclassifications	-	11,826	40,968	55	37,358	(24,815)	65,392
Additions	-	7,965	36,002	2,211	25,592	286,958	358,728
Disposals	-	-	(81,238)	(2,294)	(8,489)	-	(92,021)
Reclassify to held for sale	-	155,451	5,745	-	321	-	161,517
Effect of foreign currency exchange differences	-	-	-	-	-	(9,876)	(9,876)
Balance at December 31, 2020	<u>\$ 63,707</u>	<u>\$ 1,069,711</u>	<u>\$ 1,970,226</u>	<u>\$ 348,403</u>	<u>\$ 373,247</u>	<u>\$ 332,099</u>	<u>\$ 4,157,393</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 345,218	\$ 1,371,162	\$ 267,430	\$ 242,863	\$ -	\$ 2,226,673
Depreciation expenses	-	56,214	128,670	20,482	30,854	-	236,220
Disposals	-	-	(81,238)	(1,854)	(8,417)	-	(91,509)
Reclassify to held for sale	-	7,174	2,106	-	119	-	9,399
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 408,606</u>	<u>\$ 1,420,700</u>	<u>\$ 286,058</u>	<u>\$ 265,419</u>	<u>\$ -</u>	<u>\$ 2,380,783</u>
Carrying amounts at December 31, 2020	<u>\$ 63,707</u>	<u>\$ 661,105</u>	<u>\$ 549,526</u>	<u>\$ 62,345</u>	<u>\$ 107,828</u>	<u>\$ 332,099</u>	<u>\$ 1,776,610</u>

(Concluded)

The recoverable amounts of the idle equipment was determined based on fair values less costs of disposal. The Group carried out a review of the recoverable amount of idle equipment and determined that the recoverable amount was lower than the related carrying amount. As a result, impairment loss of \$35,000 thousand was recognized for the years ended December 31, 2019. The impairment loss was included in other gains and losses.

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

<b>Buildings</b>	
Main building	3-38 years
Employee dormitory	25-50 years
Firefighting, air-conditioning and other systems	1-8 years
Engineering system	3-38 years
<b>Transportation</b>	1-7 years
<b>Equipment</b>	1-27 years
<b>Other equipment</b>	1-25 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 30.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Land	\$ 130,851	\$ 154,124
Buildings	2,101	6,590
Transportation equipment	8,478	6,747
Minus: Non-current assets held for sale	<u>-</u>	<u>(26,965)</u>
	<u>\$ 141,430</u>	<u>\$ 140,496</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 12,196</u>	<u>\$ 7,455</u>
Depreciation charge for right-of-use assets		
Land	\$ 17,028	\$ 17,334
Buildings	5,755	5,178
Transportation equipment	<u>3,848</u>	<u>2,852</u>
	<u>\$ 26,631</u>	<u>\$ 25,364</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Current	\$ 19,611	\$ 19,544
Non-current	<u>59,806</u>	<u>53,035</u>
	<u>\$ 79,417</u>	<u>\$ 72,579</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land	1.03%-2.5%	1.03%-2.5%
Buildings	1.03%	1.03%
Transportation equipment	1.03%	1.03%

c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	\$ 2,490	\$ 4,128
Expenses relating to low-value asset leases	\$ 1,054	\$ 1,326
Total cash outflow for leases	<u>\$ (29,335)</u>	<u>\$ (29,871)</u>

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

## 16. BORROWINGS

a. Short-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Secured borrowings (Note 30)</u>		
Bank loans	\$ 250,000	\$ 290,000
<u>Unsecured borrowings</u>		
Bank loans	<u>340,000</u>	<u>190,000</u>
	<u>\$ 590,000</u>	<u>\$ 480,000</u>

The range of weighted average effective interest rates on bank loans was 0.83%-1.1% and 1%-1.18% per annum as of December 31, 2020 and 2019, respectively.

b. Long-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Unsecured borrowings</u>		
Bank loans	\$ 232,573	\$ -
Less: Current portion matured within a year	<u>(38,072)</u>	<u>-</u>
Long-term borrowings	<u>\$ 194,501</u>	<u>\$ -</u>

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

## 17. NOTES AND ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Notes payable	\$ 479	\$ -
Accounts payable	<u>250,316</u>	<u>215,349</u>
	<u>\$ 250,795</u>	<u>\$ 215,349</u>

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

## 18. OTHER PAYABLES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Other payables		
Payable for accrued expenses	\$ 156,986	\$ 132,052
Payable for constructions	16,512	30,846
Payable for purchases of equipment	11,616	28,720
Others	<u>-</u>	<u>381</u>
	<u>\$ 185,114</u>	<u>\$ 191,999</u>

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 127,837	\$ 125,533
Fair value of plan assets	<u>(103,299)</u>	<u>(87,619)</u>
Net defined benefit liabilities	<u>\$ 24,538</u>	<u>\$ 37,914</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2019	\$ 122,538	\$ (68,197)	\$ 54,341
Service cost			
Current service cost	1,115	-	1,115
Net interest expense (income)	<u>1,225</u>	<u>(762)</u>	<u>463</u>
Recognized in profit or loss	<u>2,340</u>	<u>(762)</u>	<u>1,578</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,187)	(2,187)
Actuarial loss			
Changes in financial assumptions	2,676	-	2,676
Experience adjustments	<u>6,467</u>	<u>-</u>	<u>6,467</u>
Recognized in other comprehensive income	<u>9,143</u>	<u>(2,187)</u>	<u>6,956</u>
Contributions from the employer	-	(16,473)	(16,473)
Benefits paid	<u>(8,488)</u>	<u>-</u>	<u>(8,488)</u>
Balance at December 31, 2019	<u>\$ 125,533</u>	<u>\$ (87,619)</u>	<u>\$ 37,914</u>
Balance at January 1, 2020	\$ 125,533	\$ (87,619)	\$ 37,914
Service cost			
Current service cost	666	-	666
Net interest expense (income)	<u>941</u>	<u>(711)</u>	<u>230</u>
Recognized in profit or loss	<u>1,607</u>	<u>(711)</u>	<u>896</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,679)	(2,679)
Actuarial loss			
Changes in financial assumptions	3,812	-	3,812
Experience adjustments	<u>1,050</u>	<u>-</u>	<u>1,050</u>
Recognized in other comprehensive income	<u>4,862</u>	<u>(2,679)</u>	<u>2,183</u>
Contributions from the employer	-	(16,455)	(16,455)
Benefits paid	<u>(4,165)</u>	<u>4,165</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 127,837</u>	<u>\$ (103,299)</u>	<u>\$ 24,538</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	\$ 539	\$ 968
Selling and marketing expenses	109	201
General and administrative expenses	236	390
Research and development expenses	<u>12</u>	<u>19</u>
	<u>\$ 896</u>	<u>\$ 1,578</u>

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

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rates	0.375%	0.750%
Long-term averaged pay rates	2.000%	2.000%

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)		
0.25% increase	<u>\$ (2,561)</u>	<u>\$ (2,676)</u>
0.25% decrease	<u>\$ 2,645</u>	<u>\$ 2,766</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 2,556</u>	<u>\$ 2,683</u>
0.25% decrease	<u>\$ (2,489)</u>	<u>\$ (2,610)</u>

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Expected contributions to the plans for the next year	\$ <u>16,455</u>	\$ <u>14,280</u>
Average duration of the defined benefit obligation	8.1 years	8.6 years

## 20. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Number of shares authorized (in thousands)	<u>120,000</u>	<u>120,000</u>
Shares authorized	\$ <u>1,200,000</u>	\$ <u>1,200,000</u>
Number of shares issued and fully paid (in thousands)	<u>100,706</u>	<u>90,706</u>
Shares issued	\$ <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 \$10, for a consideration of \$48.7 per share which increased the share capital issued and fully paid to \$1,007,060 thousand. On October 8, 2020, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors to be December 1, 2020.

### b. Capital surplus

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	\$ 971,317	\$ 611,529
Donations (Note 29)	27,919	21,173
<u>May be used to offset a deficit only</u>		
Exercised employee share options	54,804	35,773
Expire employee share options	<u>2,151</u>	<u>2,151</u>
	<u>\$ 1,056,191</u>	<u>\$ 670,626</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, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the proposal for profit distribution or offsetting of losses should be made on a quarterly basis after close of each quarter. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

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

Under the dividends policy as set forth in the amended Articles before the amendments, 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 used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 22-e.

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

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

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

The appropriations of earnings for 2019 and 2018 were approved in the shareholders' meetings on June 16, 2020 and June 13, 2019, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Legal reserve	<u>\$ 32,447</u>	<u>\$ 39,773</u>
Special reserve	<u>\$ 49,851</u>	<u>\$ 6,442</u>
Cash dividends	<u>\$ 199,553</u>	<u>\$ 244,906</u>
Cash dividends per share	<u>\$ 2.2</u>	<u>\$ 2.7</u>

The appropriations of 2019 quarterly earnings have been approved by the Company's Board of Directors in its meeting, respectively. The appropriations and cash dividends per share were as follows:

	<b>Fourth Quarter of 2019</b>	<b>Third Quarter of 2019</b>	<b>Second Quarter of 2019</b>	<b>First Quarter of 2019</b>
<b>Resolution Date of the Company's Board of Directors in its Meeting</b>	<b>February 25, 2020</b>	<b>November 6, 2019</b>	<b>August 7, 2019</b>	<b>August 7, 2019</b>
Cash dividends to shareholders	<u>\$ 199,553</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 shareholder approved distributing cash dividends \$27,212 thousand (\$0.3 dollars per share) with capital reserves on June 16, 2020.

The appropriation of earnings for 2020 had been approved by the Company's Board of Directors on February 26, 2021 were as follows:

	<b>For the Year Ended December 31, 2020</b>
Legal reserve	<u>\$ 40,984</u>
Special reserve	<u>\$ 47,055</u>
Cash dividends	<u>\$ 201,412</u>
Cash dividends per share	<u>\$ 2.0</u>

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

	<b>Fourth Quarter of 2020</b>	<b>Third Quarter of 2020</b>	<b>Second Quarter of 2020</b>	<b>First Quarter of 2020</b>
<b>Resolution Date of the Company's Board of Directors in its Meeting</b>	<b>February 26, 2021</b>	<b>November 5, 2020</b>	<b>August 6, 2020</b>	<b>May 5, 2020</b>
Cash dividends to shareholders	<u>\$ 201,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash dividends per share (NT\$)	<u>\$ 2.0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

d. Special reserve

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning at January 1	\$ 6,442	\$ -
Appropriations in respect of Debits to other equity items	<u>49,851</u>	<u>6,442</u>
Balance at December 31	<u>\$ 56,293</u>	<u>\$ 6,442</u>

**21. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue from sale of goods	\$ 3,394,693	\$ 3,661,137
Construction contract revenue	<u>424,023</u>	<u>275,244</u>
	<u>\$ 3,818,716</u>	<u>\$ 3,936,381</u>

**Contact Balances**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Contract assets		
Properties construction - current	\$ 8,730	\$ 6,622
Properties construction - non-current	<u>5,941</u>	<u>14,617</u>
	<u>\$ 14,671</u>	<u>\$ 21,239</u>
Contract liabilities		
Properties construction - current	\$ 154,478	\$ 7,257
Sale of goods- current	<u>2,444</u>	<u>2,998</u>
	<u>\$ 156,922</u>	<u>\$ 10,255</u>

**22. NET PROFIT**

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Dividends	\$ 1,092	\$ 1,413
Rendering of services	26,535	34,399
Others	<u>14,314</u>	<u>14,273</u>
	<u>\$ 41,941</u>	<u>\$ 50,085</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
(Losses) gains on disposal of equipment	\$ (40)	\$ 742
Impairment loss of property, plant and equipment	-	(35,000)
Net foreign exchange losses	(10,847)	(3,131)
Others	<u>(199)</u>	<u>(3)</u>
	<b><u>\$ (11,086)</u></b>	<b><u>\$ (37,392)</u></b>

c. Depreciation

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Properties, plants and equipment	\$ 236,220	\$ 243,994
Right-of-use assets	<u>26,631</u>	<u>25,364</u>
	<b><u>\$ 262,851</u></b>	<b><u>\$ 269,358</u></b>
An analysis of depreciation by function		
Operating costs	\$ 239,733	\$ 247,628
Operating expenses	<u>23,118</u>	<u>21,730</u>
	<b><u>\$ 262,851</u></b>	<b><u>\$ 269,358</u></b>

d. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefits		
Defined contribution plans	\$ 11,186	\$ 11,056
Defined benefit plans (Note 19)	896	1,578
Share-based payments compensation costs	19,031	-
Short-term benefits		
Salaries	296,892	293,336
Labor and health insurance	24,366	24,729
Others	<u>46,924</u>	<u>40,348</u>
Total employee benefits expense	<b><u>\$ 399,295</u></b>	<b><u>\$ 371,047</u></b>
An analysis of employee benefits expense by function		
Operating costs	\$ 191,284	\$ 202,186
Operating expenses	<u>208,011</u>	<u>168,861</u>
	<b><u>\$ 399,295</u></b>	<b><u>\$ 371,047</u></b>

e. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of 1%-3% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on February 26, 2021 and February 25, 2020, respectively, are as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Employees' compensation	1.90%	1.93%
Remuneration of directors and supervisors	1.90%	1.93%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	\$ 9,800	\$ 7,540
Remuneration of directors and supervisors	9,800	7,540

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, February 25, 2020 and February 25, 2019, and those meetings resulted in the actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2020, 2019 and 2018 to differ from the amounts recognized in the consolidated financial statements for the years ended December 31, 2020, 2019 and 2018, respectively. The differences were adjusted to profit and loss for the years ended December 31, 2021, 2020 and 2019, respectively.

	<u>For the Year Ended December 31</u>					
	<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>Employees' Compensation</u>	<u>Remuneration of Directors and Supervisors</u>	<u>Employees' Compensation</u>	<u>Remuneration of Directors and Supervisors</u>	<u>Employees' Compensation</u>	<u>Remuneration of Directors and Supervisors</u>
Amounts approved in the board of directors' meeting	<u>\$ 10,547</u>	<u>\$ 10,547</u>	<u>\$ 9,424</u>	<u>\$ 9,424</u>	<u>\$ 9,885</u>	<u>\$ 9,885</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>	<u>\$ 9,945</u>	<u>\$ 9,945</u>

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

f. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on bank loans	\$ 5,638	\$ 5,755
Interest on lease liabilities	<u>1,292</u>	<u>1,570</u>
	<u>\$ 6,930</u>	<u>\$ 7,325</u>

g. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gains	\$ 16,875	\$ 21,135
Foreign exchange losses	<u>(27,722)</u>	<u>(24,266)</u>
Net losses	<u>\$ (10,847)</u>	<u>\$ (3,131)</u>

## 23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current period	\$ 94,913	\$ 57,439
Adjustments for prior periods	<u>(1,410)</u>	<u>944</u>
	<u>93,503</u>	<u>58,383</u>
Deferred tax		
In respect of the current period	9,244	(6,935)
Adjustments for prior periods	<u>-</u>	<u>1,042</u>
	<u>9,244</u>	<u>(5,893)</u>
Income tax expense recognized in profit or loss	<u>\$ 102,747</u>	<u>\$ 52,490</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax	<u>\$ 502,220</u>	<u>\$ 376,965</u>
Income tax expense calculated at the statutory rate(20%)	\$ 100,444	\$ 75,393
Nondeductible expenses in determining taxable income	1,341	746
Tax-exempt income	(218)	(283)
Additional income for tax purpose	1,349	1,660
Subsidiaries reduce capital to offset deficit	-	(16,628)
Unrecognized deductible temporary differences	1,241	(5,825)
Unrecognized loss carryforwards	-	(1,099)
Taxable temporary differences arising from investment in subsidiaries	-	(3,460)
Adjustments for prior years' tax	<u>(1,410)</u>	<u>1,986</u>
Income tax expense recognized in profit or loss	<u>\$ 102,747</u>	<u>\$ 52,490</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

b. Current tax liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax liabilities		
Income tax payable	<u>\$ 64,497</u>	<u>\$ 14,464</u>

Prepaid income tax of \$28,530 thousand and \$42,975 thousand has been deducted from the income tax payable for 2020 and 2019, respectively.

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

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

Deferred tax liabilities

Temporary differences				
Others	<u>\$ -</u>	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ 108</u>

For the year ended December 31, 2019

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligations	\$ 10,868	\$ (4,677)	\$ 1,391	\$ 7,582
Property, plant and equipment	-	7,000	-	7,000
Investments accounted for using the equity method	-	3,460	-	3,460
Payables for annual leave	1,674	(625)	-	1,049
Allowance for impairment loss	2,639	(1,012)	-	1,627
Unrealized exchange loss	-	1,442	-	1,442
FVOCI financial assets	-	-	1,265	1,265
Others	<u>10,692</u>	<u>219</u>	<u>-</u>	<u>10,911</u>
	<u>\$ 25,873</u>	<u>\$ 5,807</u>	<u>\$ 2,656</u>	<u>\$ 34,336</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized exchange gain	\$ 86	\$ (86)	\$ -	\$ -
FVOCI financial assets	<u>2,935</u>	<u>-</u>	<u>(2,935)</u>	<u>-</u>
	<u>\$ 3,021</u>	<u>\$ (86)</u>	<u>\$ (2,935)</u>	<u>\$ -</u> (Concluded)

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

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries and branches for which no deferred tax liabilities have been recognized were \$53,318 thousand and \$50,752 thousand, respectively.

- e. Income tax assessments

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

## 24. EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	<u>For the Year Ended December 31</u>	
	2020	2019
Basic earnings per share		
Basic earnings per share	<u>\$ 4.36</u>	<u>\$ 3.58</u>
Diluted earnings per share		
Diluted earnings per share	<u>\$ 4.36</u>	<u>\$ 3.57</u>

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

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2020	2019
Profit for the year	<u>\$ 399,473</u>	<u>\$ 324,475</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	91,553	90,706
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>151</u>	<u>185</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>91,704</u>	<u>90,891</u>

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

## 25. SHARE-BASED PAYMENT ARRANGEMENTS

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

	<b><u>October 2020</u></b>
Grant-date share price	\$69.00
Exercise price	48.70
Expected volatility	39.75%
Expected life (in days)	29
Expected dividend yield	-
Risk-free interest rate	0.14%

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

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

## 26. NON-CASH TRANSACTION

For the years ended December 31, 2020 and 2019, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows:

The Group reclassified and paid for property, plant and equipment partly during 2020 and 2019 (Notes 14 and 18).

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Prepayments for equipment transferred (reclassification)	\$ 65,392	\$ 8,255
Increase in property, plant and equipment	\$ 358,728	\$ 210,707
Decrease in payable of purchases of equipment	<u>31,438</u>	<u>5,438</u>
Paid in cash by acquiring property, plant and equipment	<u>\$ 390,166</u>	<u>\$ 216,145</u>

## 27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group 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 Group's capital structure management, the Group sets its suitable market share according to its industry scale, the growth of the industry and the blueprint of the product development. The Group estimates the required capacity, the equipment and related capital expenditure to be used. Then the Group calculates working capitals and cash on the basis of the industry character to support a complete plan for its long-term development. Finally, the Group estimates not only the possible contribution margin, operating profit ratio and cash flows according to the product competitiveness but also risk factors such as the fluctuation of the business circle and the life circle of the product to decide the suitable capital structure. The management inspects capital structures periodically and considers the possible costs and risks taken by different capital structures. In general, the Group adopts a prudent risk management strategy.

## 28. FINANCIAL INSTRUMENTS

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

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

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

#### 1) Fair value hierarchy

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

(Continued)

	Level 1	Level 2	Level 3	Total
<u>December 31, 2019</u>				
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 29,786	\$ -	\$ -	\$ 29,786
Domestic unlisted shares	-	-	6,698	6,698
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>82,553</u>	<u>82,553</u>
	<u>\$ 29,786</u>	<u>\$ -</u>	<u>\$ 89,251</u>	<u>\$ 119,037</u> (Concluded)

There were no transfers between Levels 1 and 2 for the years ended December 31, 2020 and 2019.

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Discount for lack of marketability	25%	25%
Non-controlling interests discount	20%	20%

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Discount for lack of marketability		
1% decrease	<u>\$ 81</u>	<u>\$ 92</u>
Non-controlling interests discount		
1% decrease	<u>\$ 76</u>	<u>\$ 86</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.

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Discount for lack of marketability	20%-32.27%	25%-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:

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Discount for lack of marketability 1% decrease	<u>\$ 1,363</u>	<u>\$ 1,339</u>

c. Categories of financial instruments

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 2,132,074	\$ 1,205,870
Financial assets at FVTOCI	157,471	119,037
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	1,260,529	900,477

- 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 Group's major financial instruments include financial assets at amortized cost, equity investments, short-term loans, notes and account payables, account payables - related parties, others payable, long-term loans due within one year, and long-term loans. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group 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 Group, the board of directors authorized the chairman develop and monitored the risk management policy of the Company with the operation center of the Group, and regularly reported the situation to the board of directors.

The Group's financial risk management policies are developed for identifying and analyzing the financial risks to the Group, evaluating the impacts of the financial risks, and executing the financial-risk aversion policies. The financial risk management are 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 Group is engaged in developing a disciplined and constructive control environment, in order to have all employees understand own responsibilities.

The Group's board of directors monitors the management on managing the compliance to the financial risk management policies and procedures and reviews the appropriateness of risk management structure.

1) Market risk

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

a) Foreign currency risk

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

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities which were not in the same functional currency as the Group entity at the end of the reporting period are shown in Note 31.

Sensitivity analysis

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

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

	<u>Currency USD Impact</u>	
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Profit or loss	<u>\$ 11,074</u> *	<u>\$ 10,689</u> *

\* 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 Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The financial costs for 2020 and 2019 are \$6,930 thousand and \$7,325 thousand respectively, which only constitute 0.18% and 0.19% of consolidated net sales revenue. Therefore, interest rate risk has no significant impact on the Group.

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

	<b>Unit: Thousand Dollars</b>	
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial liabilities	\$ 589,417	\$ 499,877
Cash flow interest rate risk		
Financial liabilities	312,573	87,000

Sensitivity analysis

The sensitivity analyses were determined on the basis of the Group's exposure to interest rate changes for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period had been outstanding for the whole year. If interest rates had been five basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would decrease/increase by \$156 thousand and \$44 thousand, respectively.

c) Other price risk

The Group is exposed to price risk due to the investment in the financial assets of domestic listed companies. The Group has established an immediate control mechanism and is 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 year ended December 31, 2020 and 2019 would have increased/decreased by \$7,874 thousand, and \$5,952 thousand, respectively, as a result 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 Group. As of the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group because of the counterparties' failure to discharge their obligations, could arise from the carrying amount of the financial assets recognized in the balance sheets.

Apart from Company A, B and C, the Company did not have significant credit risk exposure from any single counterparty or any group of counterparties with similar characteristics. Apart from Company 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 Company A, B and C are all 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 Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2020 and 2019, the Group had available unutilized short-term bank loan facilities \$996,147 thousand and \$1,046,844 thousand, respectively.

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

#### 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>5+ Years</b>
<u>Non-derivative financial instruments</u>					
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>

#### December 31, 2019

	<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>5+ Years</b>
<u>Non-derivative financial instruments</u>					
Lease liabilities	\$ 2,118	\$ 4,235	\$ 16,541	\$ 46,683	\$ 35,536
Variable interest rate liabilities	-	80,000	7,000	-	-
Fixed interest rate liabilities	<u>290,000</u>	<u>110,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 292,118</u>	<u>\$ 194,235</u>	<u>\$ 23,541</u>	<u>\$ 46,683</u>	<u>\$ 35,536</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>\$ 22,894</u>	<u>\$ 46,683</u>	<u>\$ 24,508</u>	<u>\$ 11,028</u>

## 29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and 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 Group
Zhang Chun Ming	Investors with significant influence over the Group
Shian Yun Joint Stock Company	Associates
Lifu Carbonate Co., Ltd.	Associates
Hongchong Enterprise Co., Ltd.	Associates
China Fangda (International) Investment Development Corporation	Associates
Sanfuming Electronic Material Co., Ltd.	Joint venture
Fulu Cultural Foundation	Others

### b. Sales of goods

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Sales</u>		
Joint ventures	\$ 11,744	\$ 24,651
Associate	<u>63</u>	<u>66</u>
	<u>\$ 11,807</u>	<u>\$ 24,717</u>
<u>Purchase</u>		
Joint ventures	\$ 88	\$ 74,189
Associates	<u>13,216</u>	<u>18,253</u>
	<u>\$ 13,304</u>	<u>\$ 92,442</u>
<u>Service revenue (recognized as other income)</u>		
Joint ventures		
Sanfuming Electronic Material Co., Ltd.	\$ 6,017	\$ 6,685
Associates	367	4,614
Investors with significant influence over the Group		
Sanfu Global Co., Ltd.	<u>-</u>	<u>600</u>
	<u>\$ 6,384</u>	<u>\$ 11,899</u>
<u>Service expense (recognized as other expense)</u>		
Investors with significant influence over the Group	<u>\$ 1,279</u>	<u>\$ -</u>

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Donation expense</u>		
Others		
Fulu Cultural Foundation	\$ <u>1,000</u>	\$ <u>4,000</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Accounts receivable - related party</u>		
Joint ventures	\$ 3,573	\$ 10,587
<u>Other receivable - related party</u>		
Investors with significant influence over the Group	-	630
Associates	-	3,926
Joint ventures	<u>6,017</u>	<u>6,301</u>
	<u>\$ 9,590</u>	<u>\$ 21,444</u>

<u>Accounts payable - related party</u>		
Associates	\$ <u>2,047</u>	\$ <u>4,743</u>

The outstanding accounts payable from related parties are unsecured and the outstanding accounts receivable from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment loss was recognized for accounts receivable from related parties.

	<b>Proceeds</b>		<b>Gain on Disposal</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<u>Disposals of property, plant and equipment</u>				
Joint ventures	\$ <u>-</u>	\$ <u>647</u>	\$ <u>-</u>	\$ <u>647</u>

c. Lease arrangements - Group is lessee

		<b>December 31</b>	
<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>2020</b>	<b>2019</b>
Lease liabilities	Investors with significant influence over the Group		
	Sanfu Global Co., Ltd.	\$ 45,387	\$ 58,916
	Others	<u>-</u>	<u>1,019</u>
		<u>\$ 45,387</u>	<u>\$ 59,935</u>

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
<u>Interest expense</u>		
Investors with significant influence over the Group		
Sanfu Global Co., Ltd.	\$ 518	\$ 639
Others	<u>6</u>	<u>16</u>
	<u>\$ 524</u>	<u>\$ 655</u>

d. Others

Investors with significant influence signed a trust agreement of marketable securities with CTBC Bank on September 29, 2016. The Company is a beneficiary of interest. The trust interest revenue was \$6,746 thousand and \$8,303 thousand in 2020 and 2019, respectively, and the revenue was credited in capital surplus-donations.

e. Compensation of key management personnel

The compensation to directors and other key management personnel were as follows:

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 33,795	\$ 37,204
Post-employment benefits	<u>1,402</u>	<u>1,296</u>
	<u>\$ 35,197</u>	<u>\$ 38,500</u>

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

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2020	2019
Pledged deposits (classified as financial assets at amortized cost)	\$ 222,400	\$ 6,285
Land	40,349	40,349
Buildings, net	49,054	52,439
Non-current assets held for sale	<u>-</u>	<u>120,049</u>
	<u>\$ 311,803</u>	<u>\$ 219,122</u>

### 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2020

**Unit: Thousands of New Taiwan Dollars and Others**

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 10,162	28.430 (USD:NTD)	\$ 288,906
Non-monetary items			
Investments accounted for using the equity method			
CNY	79,301	0.153 (CNY:USD)	346,134
VND	32,239,640	0.0011 (VND:NTD)	35,786
<u>Financial liabilities</u>			
Monetary items			
USD	2,363	28.530 (USD:NTD)	67,416

December 31, 2019

**Unit: Thousands of New Taiwan Dollars and Others**

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,829	29.930 (USD:NTD)	\$ 264,252
JPY	61,619	0.274 (JPY:NTD)	16,884
Non-monetary items			
Investments accounted for using the equity method			
CNY	80,767	0.143 (CNY:USD)	347,095
VND	33,771,795	0.0012 (VND:NTD)	39,513
<u>Financial liabilities</u>			
Monetary items			
USD	1,681	30.030 (USD:NTD)	50,480

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

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Losses</b>
USD	28.430 (USD:NTD)	\$ 2,242	29.930 (USD:NTD)	\$ (7,334)
JPY	0.274 (JPY:NTD)	-	0.274 (JPY:NTD)	(308)

### 32. 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, associates 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)

#### 34. SEGMENT INFORMATION

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

- Fine chemicals
- Basic chemicals

a. Segment revenue and results

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

	<b>Fine Chemicals</b>	<b>Basic Chemicals</b>	<b>Write Off by Segment</b>	<b>Total</b>
<u>2020</u>				
Revenue of general customers	\$ 2,903,964	\$ 914,752	\$ -	\$ 3,818,716
Revenue of segment	<u>-</u>	<u>72,075</u>	<u>(72,075)</u>	<u>-</u>
	<u>\$ 2,903,964</u>	<u>\$ 986,827</u>	<u>\$ (72,075)</u>	<u>\$ 3,818,716</u>

(Continued)

	<b>Fine Chemicals</b>	<b>Basic Chemicals</b>	<b>Write Off by Segment</b>	<b>Total</b>
Profit from operations	\$ 561,105	\$ (90,202)	\$ -	\$ 470,903
Financial cost				(6,930)
Investments accounted for using equity method				6,126
Interest income				1,266
Other income				41,940
Other gain and losses				<u>(11,086)</u>
Income before income tax				<u>\$ 502,220</u>

2019

Revenue of general customers	\$ 2,900,071	\$ 1,036,310	\$ -	\$ 3,936,381
Revenue of segment	<u>165</u>	<u>75,474</u>	<u>(75,639)</u>	<u>-</u>
	<u>\$ 2,900,236</u>	<u>\$ 1,111,784</u>	<u>\$ (75,639)</u>	<u>\$ 3,936,381</u>
Profit from operations	\$ 425,593	\$ (86,957)	\$ -	\$ 338,636
Financial cost				(7,325)
Investments accounted for using equity method				31,130
Interest income				1,831
Other income				50,085
Other gain and losses				<u>(37,392)</u>
Income before income tax				<u>\$ 376,965</u> (Concluded)

Segment profit refers to the profit before tax earned by each segment, excluding other income, other gains and losses, financial costs, share of profit or loss of investments accounted for using equity method, and income tax expense. 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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Segment assets</u>		
Continuing operations		
Fine chemicals	\$ 2,751,020	\$ 2,480,271
Basic chemicals	1,837,058	1,209,444
Investment	<u>796,346</u>	<u>535,880</u>
Consolidated total assets	<u>\$ 5,384,424</u>	<u>\$ 4,225,595</u>

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

	<b>Years Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Customer A	\$ 1,088,535	29	\$ 1,149,848	29
Customer B	478,761	13	539,558	14

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

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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	Sanfu Chemical Corporation	San Fu Biotech Co., Ltd.	Other receivable	Y	\$ 250,000	\$ 250,000	\$ -	-	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ 379,266	\$ 1,517,063	Note 3	
0	Sanfu Chemical Corporation	International Nitto Technology Co., Ltd.	Other receivable	Y	250,000	250,000	-	-	The need for short-term financing	-	Operating capital	-	-	379,266	1,517,063	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 amount of financing provided by the Company and its subsidiaries to each individuals is as follows:
  - i. The maximum amount of financing provided to all businesses 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 has been eliminated when preparing the consolidated financial statements.

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

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guaranteee		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	Sanfu Chemical Corporation	San Fu Biotech Co., Ltd.	A subsidiary in which the Parent Company holds directly and indirectly over 90% of an equity interest.	\$250,000	\$250,000	\$140,000	\$ -	6.59%	\$1,517,063	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 guarantees provided by the Company shall not exceed 40% of the Company's net worth.
- b. The maximum amount of guarantees provided to all subsidiaries not exceed 10% of the Company's net worth. The maximum amount of guarantees provided to an individual shall not exceed 10% of the Company's net worth.

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

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares (Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
San Fu Chemical Corporation	E'Date Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	642	\$ 6,698	3.45	\$ 6,698	
	Savior Lifetec Corporation	-	Financial assets at fair value through other comprehensive income	1,357	47,020	0.45	47,020	Note 2
	Global Graphene Group	-	Financial assets at fair value through other comprehensive income	18	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	-	54,446	4.17	54,446	

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

Note 2: The fair value is calculated based on closing prices on December 31, 2020.

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

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Adjustments (Note 1)	Disposal		Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount		Number of Shares	Amount	Number of Shares	Amount (Cost)
Sanfu Chemical Corporation	Vina SanFu Industrial Gas Company Limited	Investment accounted for using the equity method	Capital injection	Subsidiary	-	\$ 122,547	-	\$ 221,685	\$ (33,631)	-	\$ -	-	\$ 310,601

Note 1: Including the profit or loss of subsidiaries recognized under the equity method and adjustments to shareholder's equity.

Note 2: The above accounts were eliminated in the consolidated financial statements.

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

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

**(Amounts in Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship	Transaction Details			% of Total Sales or Assets
				Financial Statement Accounts	Amount	Payment Terms	
0	Sanfu Chemical Corporation	San Fu Biotech Co., Ltd.	1	Accounts receivable - parties, net Other receivable - parties, net Sales revenue Accounts payable - parties, net Purchase	\$ 12,363 6,412 56,461 3,248 15,615	90 days of the month According to the contract 90 days of the month 90 days of the month 90 days of the month	0.23 0.12 1.48 0.06 0.41

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  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company (Note 2)	Location	Main Businesses and Products	Original Investment Amount December 31, 2020	December 31, 2019	As of December 31, 2020		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
						Number of Shares (Thousands)	Carrying Amount			
San Fu Chemical Corporation	San Fu Specialty Chemicals Investments Limited	Samoa	Investment activities	US\$ 2,351 thousand	US\$ 2,351 thousand	2,351	\$ 413,192	\$ 7,388	\$ 7,388	Note 1
	San Fu Food Additives Investments Limited	Samoa	Investment activities	US\$ 552 thousand	US\$ 552 thousand	552	344	-	-	"
	VinaSanFu Industrial Gas Company Limited	Vietnam	Engaged in industrial gas production	US\$ 12,285 thousand	US\$ 4,595 thousand	-	310,601	(4,207)	(4,207)	"
	VinaSanFu Material Company Limited	Vietnam	Engaged in the production of chemical materials	US\$ 10,700 thousand	US\$ 5,160 thousand	-	269,074	(5,490)	(5,490)	"
	San Fu Biotech Co., Ltd.	Taiwan	Engaged in the manufacture and sale of food additives	125,000	125,000	12,500	148,552	17,694	17,694	"
	International Nitto Technology Co., Ltd	Taiwan	Engaged in electronic component manufacturing business	227,904	227,904	15,000	148,365	(2,716)	(2,716)	"
	Hongshong Enterprise Co., Ltd.	Taiwan	Liquid oxygen, oxygen, liquid nitrogen and other gas trading business	10,527	10,527	1,200	13,777	1,972	986	
	Lifu Carbonate Co., Ltd.	Taiwan	Engaged in carbon dioxide gas, carbonic acid fire extinguisher, dry ice manufacturing and its sales and marketing	7,193	7,193	1	9,386	(5,650)	(1,412)	
	Shian Yun Joint Stock Company	Vietnam	Engaged in industrial gas production	US\$ 1,232 thousand	US\$ 1,232 thousand	2,660	35,786	(6,493)	(2,164)	
	San Fu Specialty Chemicals Investments Limited	Sanfuming Electronic Material Co., Ltd.	Shanghai, China	Engaged in the operation of international trade business	US\$ 2,151 thousand	US\$ 2,151 thousand	-	346,134	17,432	8,716
San Fu Food Additives Investments Limited	Sino Star Holding Limited	Samoa	Investment activities	US\$ 1,868 thousand	US\$ 1,868 thousand	1,868	55,433	1	1	Note 1
	Fangda International (SAMOA) Ltd.	Samoa	Investment activities	US\$ 1,300 thousand	US\$ 1,300 thousand	1,300	-	-	-	

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.

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

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance from Investment from Taiwan as of January 1, 2020 (Note 1)	Remittance of Funds		Accumulated Outward Remittance from Investment from Taiwan as of December 31, 2020 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Sanfuming Electronic Material Co., Ltd.	Engaged in the operation of international trade business	\$ 256,320 (US\$ 9,000 thousand) (Notes 1 and 4)	Through the third company reinvest in mainland companies	\$ 18,540 (US\$ 651 thousand)	\$ -	\$ -	\$ 18,540 (US\$ 651 thousand)	\$ 17,432	50.00	\$ 8,716	\$ 346,134 (US\$ 12,154 thousand)	\$ -
Hubei Xingfu Electronic Material Co., Ltd.	Engaged in chemical products production and sales	1,307,918 (CNY 300,000 thousand) (Note 2)	Through the third company reinvest in mainland companies	\$ 53,144 (US\$ 1,866 thousand)	\$ -	\$ -	\$ 53,144 (US\$ 1,866 thousand)	(19,634)	4.17	-	\$ 54,446 (US\$ 1,912 thousand)	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$166,152 (US\$5,834 thousand) (Notes 5, and 6)	\$272,240 (US\$9,559 thousand)	\$2,275,595

Note 1: The exchange rate is US\$1=NT\$28.48 on December 31, 2020.

Note 2: The exchange rate is RMB1=NT\$4.361 on December 31, 2020.

Note 3: The average exchange rate is US\$1=NT\$29.549 for the year ended December 31, 2020.

Note 4: In April, 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.

**TABLE 8****SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sanfu Global Co., Ltd.	24,067,315	23.89%
Pilot Keymakr 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 Market Observation Post System.

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of San Fu Chemical Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

The key audit matters of the Company's financial statements for the year ended December 31, 2020 are as follows:

#### Measurement of Inventories

Inventories amounted to 6.5% (NT\$337,063 thousand) of the Company's total assets as of December 31, 2020. Please refer to Notes 4 and 10 for the accounting policies and the related disclosures of inventories. The inventories could be slow-moving or outdated due to the fluctuation in the demand market and the advancement in technology, which may result in impairment loss on inventories. The Company estimated the impairment loss of inventories based on the assessed net realized value and the evaluated aging of inventories quarterly. The estimation of net realized value and inventories aging assessment mainly depended on subjective management judgments and may affect the amount of impairment loss. As a result, the evaluation of inventories for impairment loss is determined to be a key audit matter.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 29, 2021

#### Notice to Readers

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

*For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. The English financial report does not audited by the engagement partners. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.*

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

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

**BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
**(In Thousands of New Taiwan Dollars)**

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents(Notes 4 and 6)	\$ 606,487	12	\$ 116,912	3
Financial assets at amortized cost - current (Note 8)	222,400	4	6,285	-
Contract asset - current (Notes 4 and 20)	8,730	-	6,622	-
Notes receivable, net (Notes 4 and 9)	17,950	-	15,014	-
Accounts receivable, net (Notes 4 and 9)	1,004,409	19	881,492	21
Receivable from related parties (Notes 4 and 28)	28,660	1	162,598	4
Inventories (Notes 4 and 10)	337,063	7	406,559	10
Prepayments	77,435	2	37,545	1
Non-current assets held for sale (Notes 4 and 11)	-	-	151,081	4
Other current assets	13,494	-	19,991	-
Total current assets	<u>2,316,628</u>	<u>45</u>	<u>1,804,099</u>	<u>43</u>
<b>NON-CURRENT ASSETS</b>				
Financial asset at fair value through other comprehensive income - non-current (Notes 4 and 7)	103,025	2	61,723	1
Investments accounted for using the equity method (Notes 4 and 12)	1,349,077	26	861,346	21
Contract asset - non-current (Notes 4 and 20)	5,941	-	14,617	-
Property, plant and equipment (Notes 4 and 13)	1,225,180	24	1,278,879	31
Right-of-use assets (Notes 4 and 14)	57,252	1	72,228	2
Deferred tax assets (Notes 4 and 22)	26,916	-	34,336	1
Prepayments for equipment	100,381	2	20,790	1
Refundable deposits	3,040	-	1,284	-
Total non-current assets	<u>2,870,812</u>	<u>55</u>	<u>2,345,203</u>	<u>57</u>
<b>TOTAL</b>	<u>\$ 5,187,440</u>	<u>100</u>	<u>\$ 4,149,302</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 15)	\$ 480,000	9	\$ 450,000	11
Contract liabilities - current (Notes 4 and 20)	156,922	3	10,255	-
Notes and accounts payable (Note 16)	191,176	4	201,999	5
Accounts payable - related parties (Note 28)	5,295	-	12,064	-
Other payables (Note 17)	182,504	4	190,556	5
Current tax liabilities (Notes 4 and 22)	60,493	1	14,069	-
Lease liabilities - current (Notes 4 and 14)	12,588	-	19,544	1
Other current liabilities	999	-	1,031	-
Long-term liabilities due within one year (Note 15)	38,072	1	-	-
Total current liabilities	<u>1,128,049</u>	<u>22</u>	<u>899,518</u>	<u>22</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 15)	194,501	4	-	-
Deferred tax liabilities (Notes 4 and 22)	108	-	-	-
Lease liabilities - non-current (Notes 4 and 14)	45,222	1	53,035	1
Net defined benefit liabilities - non-current (Notes 4 and 18)	24,538	-	37,914	1
Other non-current liabilities	2,363	-	2,860	-
Total non-current liabilities	<u>266,732</u>	<u>5</u>	<u>93,809</u>	<u>2</u>
Total liabilities	<u>1,394,781</u>	<u>27</u>	<u>993,327</u>	<u>24</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 19)</b>				
Share capital				
Ordinary shares	<u>1,007,060</u>	<u>20</u>	<u>907,060</u>	<u>22</u>
Capital surplus	<u>1,056,191</u>	<u>20</u>	<u>670,626</u>	<u>16</u>
Retain earnings				
Legal reserve	250,297	5	217,850	5
Special reserve	56,293	1	6,442	-
Unappropriated earnings	<u>1,526,166</u>	<u>29</u>	<u>1,410,290</u>	<u>34</u>
Total retain earnings	<u>1,832,756</u>	<u>35</u>	<u>1,634,582</u>	<u>39</u>
Other equity				
Exchange differences on translating foreign operations	(127,821)	(2)	(68,651)	(1)
Unrealized gain on financial asset at fair value through other comprehensive income	24,473	-	12,358	-
Total other equity	<u>(103,348)</u>	<u>(2)</u>	<u>(56,293)</u>	<u>(1)</u>
Total equity	<u>3,792,659</u>	<u>73</u>	<u>3,155,975</u>	<u>76</u>
<b>TOTAL</b>	<u>\$ 5,187,440</u>	<u>100</u>	<u>\$ 4,149,302</u>	<u>100</u>

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

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



**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 20 and 28)	\$ 3,616,758	100	\$ 3,840,853	100
OPERATING COSTS (Notes 10, 21 and 28)	<u>2,789,687</u>	<u>77</u>	<u>3,162,474</u>	<u>83</u>
GROSS PROFIT	<u>827,071</u>	<u>23</u>	<u>678,379</u>	<u>17</u>
OPERATING EXPENSES (Notes 21 and 28)				
Selling and marketing expenses	173,247	5	182,890	5
General and administrative expenses	134,234	4	109,399	3
Research and development expenses	<u>40,907</u>	<u>1</u>	<u>27,438</u>	<u>-</u>
Total operating expenses	<u>348,388</u>	<u>10</u>	<u>319,727</u>	<u>8</u>
PROFIT FROM OPERATIONS	<u>478,683</u>	<u>13</u>	<u>358,652</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 21 and 28)	21,697	1	27,129	1
Other gains and losses (Notes 13 and 21)	(9,519)	-	(36,744)	(1)
Finance costs (Note 21)	(5,663)	-	(6,088)	-
Share of profit or loss of subsidiaries, associates and joint ventures (Notes 4 and 12)	10,079	-	33,310	1
Interest income	<u>160</u>	<u>-</u>	<u>311</u>	<u>-</u>
Total non-operating income and expenses	<u>16,754</u>	<u>1</u>	<u>17,918</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	495,437	14	376,570	10
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(95,964)</u>	<u>(3)</u>	<u>(52,095)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>399,473</u>	<u>11</u>	<u>324,475</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(2,183)	-	(6,956)	-
Unrealized loss on financial asset at fair value through other comprehensive income	10,836	-	(13,876)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>1,716</u>	<u>-</u>	<u>5,591</u>	<u>-</u>
	<u>10,369</u>	<u>-</u>	<u>(15,241)</u>	<u>-</u>

(Continued)

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



**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	<u>(59,170)</u>	<u>(1)</u>	<u>(40,175)</u>	<u>(1)</u>
	<u>(59,170)</u>	<u>(1)</u>	<u>(40,175)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(48,801)</u>	<u>(1)</u>	<u>(55,416)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u>\$ 350,672</u></u>	<u><u>10</u></u>	<u><u>\$ 269,059</u></u>	<u><u>7</u></u>
<b>EARNINGS PER SHARE (Note 23)</b>				
Basic	<u>\$4.36</u>		<u>\$3.58</u>	
Diluted	<u>\$4.36</u>		<u>\$3.57</u>	

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

(Concluded)

**SAN FU CHANG CO., LTD.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus (Note 19)	Retained Earnings (Note 19)			Other Equity		Total Equity
	Number of Shares Authorized (In Thousand)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2019	90,706	\$ 907,060	\$ 662,323	\$ 178,076	\$ -	\$ 1,382,502	\$ (28,476)	\$ 22,034	\$ 3,123,519
Appropriation of 2018 earnings	-	-	-	-	-	(39,774)	-	-	-
Legal reserve	-	-	39,774	-	-	-	-	-	-
Special reserve	-	-	-	6,442	-	(6,442)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(244,906)	-	-	(244,906)
Other changes in capital surplus	-	-	8,303	-	-	-	-	-	8,303
Donations from shareholders	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	-	324,475	-	-	324,475
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(5,565)	(40,175)	(9,676)	(55,416)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	318,910	(40,175)	(9,676)	269,059
BALANCE AT DECEMBER 31, 2019	90,706	907,060	670,626	217,850	6,442	1,410,290	(68,651)	12,358	3,155,975
Appropriation of 2019 earnings	-	-	-	32,447	-	(32,447)	-	-	-
Legal reserve	-	-	-	-	-	(49,851)	-	-	-
Special reserve	-	-	-	-	49,851	(49,851)	-	-	-
Cash dividends distributed by the Company	-	-	(27,212)	-	-	(199,553)	-	-	(226,765)
Other changes in capital surplus	-	-	6,746	-	-	-	-	-	6,746
Donations from shareholders	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares for cash	10,000	100,000	387,000	-	-	-	-	-	487,000
Share-based payment transaction	-	-	19,031	-	-	-	-	-	19,031
Net profit for the year ended December 31, 2020	-	-	-	-	-	399,473	-	-	399,473
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(1,746)	(59,170)	12,115	(48,801)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	397,727	(59,170)	12,115	350,672
BALANCE AT DECEMBER 31, 2020	100,706	\$ 1,007,060	\$ 1,056,191	\$ 250,297	\$ 56,293	\$ 1,526,166	\$ (127,821)	\$ 24,473	\$ 3,792,659

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

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

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 495,437	\$ 376,570
Adjustments for:		
Depreciation expenses	230,089	240,643
Finance costs	5,663	6,088
Interest income	(160)	(311)
Dividend income	(1,092)	(1,413)
Compensation cost of insurance of ordinary shares for cash	19,031	-
Share of profit of subsidiaries, associates and joint ventures	(10,079)	(33,310)
Loss (gain) on disposal of property, plant and equipment	40	(742)
Impairment loss recognized on property, plant and equipment	-	35,000
Write-downs of inventories	-	3,504
Reversal of write-down of inventories	(5,961)	-
Unrealized foreign currency exchange (gain) loss	(2,242)	7,642
Changes in operating assets and liabilities		
Contract asset - current	(2,108)	9,047
Notes receivable	(2,936)	26,723
Accounts receivable	(120,927)	117,400
Accounts receivable - related parties	134,112	(147,032)
Inventories	75,457	120,350
Prepayments	(39,890)	72,776
Other current assets	6,497	13,801
Contract asset - non-current	8,676	(2,922)
Contract liabilities - current	146,667	6,608
Notes and accounts payable	(11,215)	(140,426)
Accounts payable - related parties	(6,769)	706
Other payables	23,461	(95,487)
Other current liabilities	(32)	(2,331)
Net defined benefit liabilities - non-current	(15,559)	(23,383)
Other non-current liabilities	(497)	702
Cash generated from operations	925,663	590,203
Interest received	160	311
Dividend received	1,092	3,124
Interest paid	(5,738)	(6,048)
Income tax paid	(40,296)	(100,815)
Net cash generated from operating activities	<u>880,881</u>	<u>486,775</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(30,466)	-
Purchase of financial assets at amortized cost	(216,115)	(6,285)
Increase in investment in subsidiaries	(385,741)	(271,653)
Proceeds from the return of capital upon investees' capital reduction of subsidiaries by using the equity method	-	73,128

(Continued)

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



**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	<b>2020</b>	<b>2019</b>
Payments for property, plant and equipment	(176,833)	(197,837)
Proceeds from disposal of property, plant and equipment	472	160,878
(Increase) decrease in refundable deposits	(1,756)	21
Increase in prepayments for equipment	<u>(93,242)</u>	<u>(25,321)</u>
Net cash used in investing activities	<u>(903,681)</u>	<u>(267,069)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	30,000	50,000
Proceeds from long-term borrowings	240,000	-
Repayment of long-term borrowings	(7,427)	-
Repayment of the principal portion of lease liabilities	(17,649)	(16,438)
Dividends paid to owners of the Company	(226,765)	(244,906)
Insurance of ordinary shares for cash	487,000	-
Proceeds of donations from shareholders	<u>6,746</u>	<u>8,303</u>
Net cash generated from (used in) financing activities	<u>511,905</u>	<u>(203,041)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>470</u>	<u>(610)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	489,575	16,055
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>116,912</u>	<u>100,857</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 606,487</u>	<u>\$ 116,912</u>

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

(Concluded)

# SAN FU CHEMICAL CO., LTD.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (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 the Republic of China (“ROC”) on March 17, 2003. The Company mainly manufactures and sales of various chemical products. The major shareholders are as follows: San Fu Global Co., Ltd. (owned 23.89%), Pilot Keymark SDN. BHD. (owned 19.78%), and other domestic individual shareholders.

The Company’s shares have been listed on the Taiwan Stock Exchange (“TWSE”) since November 27, 2013.

The financial statements are presented in the Company’s functional currency, New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

The initial application of the Amendments to the IFRS 3 “Definition of a Business”, Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”, Amendments to IAS 1 and IAS 8 “Definition of Material” and Amendment to IFRS 16 “Covid-19-Related Rent Concessions” endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: 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 3: 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 4: 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 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: 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.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### b. Basis of preparation

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

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

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

When preparing its financial statements, the Company account for subsidiaries, associates and joint ventures. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries, associates and joint ventures, and share of other comprehensive income of subsidiaries, associates and joint ventures in the parent company only financial statements.

##### c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets expected to be realized within 12 months after the reporting period; and
- 2) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

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

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

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

d. Business combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

e. Foreign currencies

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

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

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

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

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

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

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

f. Inventories

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

g. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss. When the Company acquires a subsidiary that does not constitute a business, the Company appropriately allocates the cost of acquisition to the Company's share of the amounts of the identifiable assets acquired (including intangible assets) and liabilities assumed, and the transaction does not give rise to goodwill nor gains.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

h. Investments in associates and joint ventures

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company uses the equity method to account for its investments in associates and joint ventures.

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

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

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

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

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

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

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

i. Property, plant and equipment

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

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

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

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

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

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

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

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

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

k. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

When a sale plan would result in a loss of control of a subsidiary, all of the carrying amounts of the investments in that subsidiary are classified as held for sale, regardless of whether there is any residual interest in that subsidiary after the sale. However, such investment is still accounted for using the equity method.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

When a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate previously classified as held for sale no longer meets the criteria to be classified as such, it is measured at the carrying amount that would have been recognized had such interests not been classified as held for sale. The financial statements for the prior periods with interests classified as held for sale are amended accordingly.

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash, notes and accounts receivables at amortized cost and accounts receivable - related parties, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

m. Revenue recognition

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

1) Revenue from the sale of goods

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

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

2) Revenue from the rendering of services

Service revenue including rendering of business management consulting services is recognized when services are provided.

3) Construction contract revenue

Customers control properties while they are construction in progress, and thus, the Company recognizes revenue over time. The Company measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the construction and are reclassified to accounts receivable at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Company recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Company adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Company satisfies its performance obligations.

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

n. Leasing

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

The Company as lessee

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

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

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

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

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

o. Borrowing costs

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

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Share-based payment arrangements

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

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

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

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

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

r. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes for the year

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

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

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

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

### Key Sources of Estimation Uncertainty

#### Write-down of inventories

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

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash on hand	\$ 330	\$ 330
Demand deposits	336,157	116,582
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>270,000</u>	<u>-</u>
	<u>\$ 606,487</u>	<u>\$ 116,912</u>

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

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Demand deposits	0.001%-0.05%	0.001%-0.22%
Time deposits	0.06%	-

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

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Domestic investments		
Listed shares	\$ 47,020	\$ 29,786
Unlisted shares	<u>6,698</u>	<u>6,698</u>
	<u>53,718</u>	<u>36,484</u>
Foreign investments		
Unlisted shares	<u>49,307</u>	<u>25,239</u>
	<u>\$ 103,025</u>	<u>\$ 61,723</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fair value fluctuations of these investment in profit or loss would be consistent with the Company's strategy of holding these investments for long-term purposes. These investments of equity instruments were classified as financial assets at fair value through other comprehensive income.

**8. FINANCIAL ASSETS AT AMORTIZED COST**

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Time deposits with original maturities of more than 3 months	<u>\$ 222,400</u>	<u>\$ 6,285</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.06%-0.41% and 2.1% per annum as of December 31, 2020 and 2019, respectively.

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

## 9. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ <u>17,950</u>	\$ <u>15,014</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,004,980	\$ 882,063
Less: Allowance for impairment loss	<u>(571)</u>	<u>(571)</u>
	<u>\$ 1,004,409</u>	<u>\$ 881,492</u>

The average credit period of sales of goods was 30 to 120 days.

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

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

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

The aging of receivables was as follows:

### December 31, 2020

	Not Past Due	1 to 90 Days	90 to 180 Days	181 to 365 Days	Over 365 Days	Indication of Default	Total
Expected credit loss rate	-	-	-	50%	50%	100%	-
Gross carrying amount	\$ 1,003,716	\$ 693	\$ -	\$ -	\$ 571	\$ -	\$ 1,004,980
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(571)</u>	<u>-</u>	<u>(571)</u>
Amortized cost	<u>\$ 1,003,716</u>	<u>\$ 693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,004,409</u>

### December 31, 2019

	Not Past Due	1 to 90 Days	90 to 180 Days	181 to 365 Days	Over 365 Days	Indication of Default	Total
Expected credit loss rate	-	-	-	50%	100%	100%	-
Gross carrying amount	\$ 877,736	\$ 3,659	\$ 97	\$ -	\$ 571	\$ -	\$ 882,063
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(571)</u>	<u>-</u>	<u>(571)</u>
Amortized cost	<u>\$ 877,736</u>	<u>\$ 3,659</u>	<u>\$ 97</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 881,492</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1 and December 31	<u>\$ 571</u>	<u>\$ 571</u>

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Merchandise	\$ 6,392	\$ 13,233
Finished goods	113,789	134,806
Work in progress	11,261	18,722
Semi-finished goods	1,875	2,923
Raw materials	184,930	213,626
Supplies	<u>18,816</u>	<u>23,249</u>
	<u>\$ 337,063</u>	<u>\$ 406,559</u>

The cost of inventories recognized as cost of goods sold (construction cost included) for the years ended December 31, 2020 and 2019 was \$2,789,687 thousand and \$3,162,474 thousand, respectively.

The cost of goods sold included inventory write-downs reversed \$5,961 thousand and inventory write-downs \$3,504 thousand for the years ended December 31, 2020 and 2019, respectively.

## 11. NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On November 6, 2019, the disposal of 100% ownership of International Nitto Technology Co. has been approved by the Company's board of directors; however, due to practical situation, the Company's management team decided not to sell 100% ownership of International Nitto Technology Co. Therefore, the Company no longer classify it as non-current assets held for sale. The Company has reclassified the related accounts in the balance sheet.

	<b>December 31, 2019</b>
<u>Domestic unlisted shares</u>	
International Nitto Technology Co., Ltd.	<u>\$ 151,081</u>

The net proceeds of disposal were expected to exceed the carrying amount of the related net assets and, accordingly, no impairment losses were recognized while reclassifying the operation to non-current asset held for sale.

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Investments in subsidiaries	\$ 1,290,128	\$ 798,244
Investments in associates	<u>58,949</u>	<u>63,102</u>
	<u>\$ 1,349,077</u>	<u>\$ 861,346</u>

### a. Investments in subsidiaries

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
San Fu Specialty Chemicals Investments Limited	\$ 413,192	\$ 406,344
San Fu Food Additives Investments Limited	344	361
VinaSanFu Industrial Gas Company Limited	310,601	122,547
VinaSanFu Material Company Limited	269,074	138,134
International Nitto Technology Co., Ltd.	148,365	-
San Fu Biotech Co., Ltd.	<u>148,552</u>	<u>130,858</u>
	<u>\$ 1,290,128</u>	<u>\$ 798,244</u>

### Proportion of Ownership and Voting Rights

	<u>December 31</u>	
<b>Name of Subsidiaries</b>	<b>2020</b>	<b>2019</b>
San Fu Specialty Chemicals Investments Limited	100%	100%
San Fu Food Additives Investments Limited	100%	100%
San Fu Biotech Co., Ltd.	100%	100%
VinaSanFu Industrial Gas Company Limited	100%	100%
VinaSanFu Material Company Limited	100%	100%
International Nitto Technology Co., Ltd.	100%	100%

On November 6, 2019, the Company's board of directors agreed to dispose 100% ownership of the International Nitto Technology Co., Ltd. The Company is actively seeking for buyer and expects to complete the sale within 12 months. The Company has reclassified this long-term investment as non-current assets held for sale and presented the investment as a separate item on the balance sheets.

The profit or loss of investments in subsidiaries accounted for using equity method and other comprehensive income in 2020 and 2019 were calculated based on the financial statements which have been audited.

### b. Investments in associates

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Associates that are not individually material	<u>\$ 58,949</u>	<u>\$ 63,102</u>

Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
The Company's share of:		
Net (loss) profit	\$ (2,590)	\$ 1,687
Other comprehensive loss	<u>(1,563)</u>	<u>(842)</u>
 Total comprehensive (loss) income for the year	 <u>\$ (4,153)</u>	 <u>\$ 845</u>

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

### 13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment	Transportation	Other Equipment	Property under Construction	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 63,707	\$ 780,226	\$ 1,876,188	\$ 307,229	\$ 275,995	\$ 197,072	\$ 3,500,417
Reclassifications	-	107,383	87,576	16,100	24,324	(227,128)	8,255
Additions	-	4,344	44,947	28,753	19,531	94,824	192,399
Disposals	-	(105,633)	(71,192)	(8,524)	(24,943)	-	(210,292)
Balance at December 31, 2019	<u>\$ 63,707</u>	<u>\$ 786,320</u>	<u>\$ 1,937,519</u>	<u>\$ 343,558</u>	<u>\$ 294,907</u>	<u>\$ 64,768</u>	<u>\$ 3,490,779</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2019	\$ -	\$ 296,144	\$ 1,239,768	\$ 250,963	\$ 216,327	\$ -	\$ 2,003,202
Depreciation expenses	-	44,618	135,633	19,654	23,949	-	223,854
Impairment loss	-	-	33,284	-	1,716	-	35,000
Disposals	-	-	(42,381)	(5,534)	(2,241)	-	(50,156)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 340,762</u>	<u>\$ 1,366,304</u>	<u>\$ 265,083</u>	<u>\$ 239,751</u>	<u>\$ -</u>	<u>\$ 2,211,900</u>
Carrying amounts at December 31, 2019	<u>\$ 63,707</u>	<u>\$ 445,558</u>	<u>\$ 571,215</u>	<u>\$ 78,475</u>	<u>\$ 55,156</u>	<u>\$ 64,768</u>	<u>\$ 1,278,879</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 63,707	\$ 786,320	\$ 1,937,519	\$ 343,558	\$ 294,907	\$ 64,768	\$ 3,490,779
Reclassifications	-	11,826	40,968	55	37,358	(76,556)	13,651
Additions	-	6,722	35,826	2,211	24,781	75,855	145,395
Disposals	-	-	(81,238)	(2,294)	(8,489)	-	(92,021)
Balance at December 31, 2020	<u>\$ 63,707</u>	<u>\$ 804,868</u>	<u>\$ 1,933,075</u>	<u>\$ 343,530</u>	<u>\$ 348,557</u>	<u>\$ 64,067</u>	<u>\$ 3,557,804</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 340,762	\$ 1,366,304	\$ 265,083	\$ 239,751	\$ -	\$ 2,211,900
Depreciation expenses	-	43,024	122,772	19,762	26,675	-	212,233
Disposals	-	-	(81,238)	(1,854)	(8,417)	-	(91,509)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 383,786</u>	<u>\$ 1,407,838</u>	<u>\$ 282,991</u>	<u>\$ 258,009</u>	<u>\$ -</u>	<u>\$ 2,332,624</u>
Carrying amounts at December 31, 2020	<u>\$ 63,707</u>	<u>\$ 421,082</u>	<u>\$ 525,237</u>	<u>\$ 60,539</u>	<u>\$ 90,548</u>	<u>\$ 64,067</u>	<u>\$ 1,225,180</u>

The recoverable amounts of the idle equipment was determined based on fair values less costs of disposal. The Company carried out a review of the recoverable amount of idle equipment and determined that the recoverable amount was lower than the related carrying amount. As a result, impairment loss of \$35,000 thousand was recognized for the years ended December 31, 2019. The impairment loss was included in other gains and losses.

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

Buildings	
Main buildings	3-38 years
Employee dormitory	25-50 years
Firefighting, air-conditioning and other systems	1-8 years
Engineering system	3-38 years
Transportation	1-7 years
Equipment	1-27 years
Other equipment	1-25 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 29.

#### 14. LEASE ARRANGEMENTS

##### a. Right-of-use assets

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Land	\$ 46,673	\$ 58,891
Buildings	2,101	6,590
Transportation equipment	<u>8,478</u>	<u>6,747</u>
	<u>\$ 57,252</u>	<u>\$ 72,228</u>
	<u>For the Year Ended December 31</u>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 11,037</u>	<u>\$ 7,455</u>
Depreciation charge for right-of-use assets		
Land	\$ 8,253	\$ 8,759
Buildings	5,755	5,178
Transportation equipment	<u>3,848</u>	<u>2,852</u>
	<u>\$ 17,856</u>	<u>\$ 16,789</u>

##### b. Lease liabilities

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Current	\$ 12,588	\$ 19,544
Non-current	<u>45,222</u>	<u>53,035</u>
	<u>\$ 57,810</u>	<u>\$ 72,579</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	2020	2019
Land	1.03%	1.03%
Buildings	1.03%	1.03%
Transportation equipment	1.03%	1.03%

c. Other lease information

	<u>For the Year Ended December 31</u>	
	2020	2019
Expenses relating to short-term leases	<u>\$ 4,098</u>	<u>\$ 5,710</u>
Expenses relating to low-value asset leases	<u>\$ 1,012</u>	<u>\$ 1,025</u>
Total cash outflow for leases	<u>\$ (23,418)</u>	<u>\$ (23,973)</u>

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

## 15. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	2020	2019
<u>Secured borrowings (Note 29)</u>		
Bank loans	\$ 250,000	\$ 290,000
<u>Unsecured borrowings</u>		
Bank loans	<u>230,000</u>	<u>160,000</u>
	<u>\$ 480,000</u>	<u>\$ 450,000</u>

The range of weighted average effective interest rates on bank loans was 0.83%-0.99% and 1.00%-1.02% per annum as of December 31, 2020 and 2019, respectively.

b. Long-term borrowings

	<u>December 31</u>	
	2020	2019
<u>Secured borrowings</u>		
Bank loans	\$ 232,573	\$ -
Less: Current portion matured within a year	<u>(38,072)</u>	<u>-</u>
Long-term borrowings	<u>\$ 194,501</u>	<u>\$ -</u>

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

## 16. NOTES AND ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Notes payable	\$ 479	\$ -
Accounts payable	<u>190,697</u>	<u>201,999</u>
	<u>\$ 191,176</u>	<u>\$ 201,999</u>

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

## 17. OTHER PAYABLES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Payables for accrued expenses	\$ 154,376	\$ 130,609
Payables for constructions	16,512	30,846
Payables for purchase of equipment	11,616	28,720
Others	<u>-</u>	<u>381</u>
	<u>\$ 182,504</u>	<u>\$ 190,556</u>

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 127,837	\$ 125,533
Fair value of plan assets	<u>(103,299)</u>	<u>(87,619)</u>
Net defined benefit liabilities	<u>\$ 24,538</u>	<u>\$ 37,914</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2019	\$ 122,538	\$ (68,197)	\$ 54,341
Service cost			
Current service cost	1,115	-	1,115
Net interest expense (income)	<u>1,225</u>	<u>(762)</u>	<u>463</u>
Recognized in profit or loss	<u>2,340</u>	<u>(762)</u>	<u>1,578</u>
Premeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,187)	(2,187)
Actuarial loss			
Changes in financial assumptions	2,676	-	2,676
Experience adjustments	<u>6,467</u>	<u>-</u>	<u>6,467</u>
Recognized in other comprehensive income	<u>9,143</u>	<u>(2,187)</u>	<u>6,956</u>
Contributions from the employer	-	(16,473)	(16,473)
Benefits paid	<u>(8,488)</u>	<u>-</u>	<u>(8,488)</u>
Balance at December 31, 2019	<u>\$ 125,533</u>	<u>\$ (87,619)</u>	<u>\$ 37,914</u>
Balance at January 1, 2020	\$ 125,533	\$ (87,619)	\$ 37,914
Service cost			
Current service cost	666	-	666
Net interest expense (income)	<u>941</u>	<u>(711)</u>	<u>230</u>
Recognized in profit or loss	<u>1,607</u>	<u>(711)</u>	<u>896</u>
Premeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,679)	(2,679)
Actuarial loss			
Changes in financial assumptions	3,812	-	3,812
Experience adjustments	<u>1,050</u>	<u>-</u>	<u>1,050</u>
Recognized in other comprehensive income	<u>4,862</u>	<u>(2,679)</u>	<u>2,183</u>
Contributions from the employer	-	(16,455)	(16,455)
Benefits paid	<u>(4,165)</u>	<u>4,165</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 127,837</u>	<u>\$ (103,299)</u>	<u>\$ 24,538</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	\$ 539	\$ 968
Selling and marketing expenses	109	201
General and administrative expenses	236	390
Research and development expenses	<u>12</u>	<u>19</u>
	<u>\$ 896</u>	<u>\$ 1,578</u>

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

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate	0.375%	0.750%
Expected rate of salary increase	2.000%	2.000%

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)		
0.25% increase	<u>\$ (2,561)</u>	<u>\$ (2,676)</u>
0.25% decrease	<u>\$ 2,645</u>	<u>\$ 2,766</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 2,556</u>	<u>\$ 2,683</u>
0.25% decrease	<u>\$ (2,489)</u>	<u>\$ (2,610)</u>

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

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Expected contributions to the plans for the next year	<u>\$ 16,455</u>	<u>\$ 14,280</u>
Average duration of the defined benefit obligation	8.1 years	8.6 years

## 19. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Number of shares authorized (in thousands)	<u>120,000</u>	<u>120,000</u>
Shares authorized	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>
Number of shares issued and fully paid (in thousands)	<u>100,706</u>	<u>90,706</u>
Shares issued	<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 \$10, for a consideration of \$48.7 per share which increased the share capital issued and fully paid to \$1,007,060 thousand. On October 8, 2020, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors to be December 1, 2020.

### b. Capital surplus

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	\$ 971,317	\$ 611,529
Donations (Note 28)	27,919	21,173
<u>May be used to offset a deficit only</u>		
Exercised employee share options	54,804	35,773
Expire employee share options	<u>2,151</u>	<u>2,151</u>
	<u>\$ 1,056,191</u>	<u>\$ 670,626</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, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the proposal for profit distribution or offsetting of losses should be made on a quarterly basis after close of each quarter. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be the basis for proposing the dividend distribution plan. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 21-e.

Under the dividends policy as set forth in the amended Articles before the amendments, 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 used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 21-e.

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

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. For the subsequent reversal of the other shareholders' equity deductions, the Company may distribute the surplus limited to the reversal.

The appropriations of earnings for 2019 and 2018 were approved in the shareholders' meetings on June 16, 2020 and June 13, 2019, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Legal reserve	<u>\$ 32,447</u>	<u>\$ 39,773</u>
Special reserve	<u>\$ 49,851</u>	<u>\$ 6,442</u>
Cash dividends	<u>\$ 199,553</u>	<u>\$ 244,906</u>
Cash dividends per share	<u>\$ 2.2</u>	<u>\$ 2.7</u>

The appropriations of 2019 quarterly earnings have been approved by the Company's Board of Directors in its meeting, respectively. The appropriations and cash dividends per share were as follows:

	<b>Fourth Quarter of 2019</b>	<b>Third Quarter of 2019</b>	<b>Second Quarter of 2019</b>	<b>First Quarter of 2019</b>
<b>Resolution Date of the Company's Board of Directors in its Meeting</b>	<b>February 25, 2020</b>	<b>November 6, 2019</b>	<b>August 7, 2019</b>	<b>August 7, 2019</b>
Cash dividends to shareholders	<u>\$ 199,553</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 shareholder approved distributing cash dividends \$27,212 thousand (\$0.3 dollars per share) with capital reserves on June 16, 2020.

The appropriation of earnings for 2020 had been approved by the Company's Board of Directors on February 26, 2021 were as follows:

	<b>For the Year Ended December 31, 2020</b>
Legal reserve	<u>\$ 40,984</u>
Special reserve	<u>\$ 47,055</u>
Cash dividends	<u>\$ 201,412</u>
Cash dividends per share	<u>\$ 2.0</u>

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

	<b>Fourth Quarter of 2020</b>	<b>Third Quarter of 2020</b>	<b>Second Quarter of 2020</b>	<b>First Quarter of 2020</b>
<b>Resolution Date of the Company's Board of Directors in its Meeting</b>	<b>February 26, 2021</b>	<b>November 5, 2020</b>	<b>August 6, 2020</b>	<b>May 5, 2020</b>
Cash dividends to shareholders	<u>\$ 201,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash dividends per share (NT\$)	<u>\$ 2.0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

d. Special reserve

	<u>For the Year Ended December 31</u>	
	2020	2019
Beginning at January 1	\$ 6,442	\$ -
Appropriations in respect of Debits to other equity items	<u>49,851</u>	<u>6,442</u>
Balance at December 31	<u>\$ 56,293</u>	<u>\$ 6,442</u>

**20. REVENUE**

	<u>For the Year Ended December 31</u>	
	2020	2019
Revenue from sale of goods	\$ 3,192,735	\$ 3,565,609
Construction contract revenue	<u>424,023</u>	<u>275,244</u>
	<u>\$ 3,616,758</u>	<u>\$ 3,840,853</u>

**Contact Balances**

	<u>December 31</u>	
	2020	2019
Contract assets		
Properties construction - current	\$ 8,730	\$ 6,622
Properties construction - non-current	<u>5,941</u>	<u>14,617</u>
	<u>\$ 14,671</u>	<u>\$ 21,239</u>
Contract liabilities		
Properties construction - current	\$ 154,478	\$ 7,257
Sale of goods - current	<u>2,444</u>	<u>2,998</u>
	<u>\$ 156,922</u>	<u>\$ 10,255</u>

**21. NET PROFIT**

a. Other income

	<u>For the Year Ended December 31</u>	
	2020	2019
Dividends	\$ 1,092	\$ 1,413
Rendering of services	6,384	11,899
Others	<u>14,221</u>	<u>13,817</u>
	<u>\$ 21,697</u>	<u>\$ 27,129</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
(Losses) gains on disposal of property, plant and equipment	\$ (40)	\$ 742
Impairment loss recognized on property, plant and equipment	-	(35,000)
Net foreign exchange losses	(9,281)	(2,486)
Others	<u>(198)</u>	<u>-</u>
	<u>\$ (9,519)</u>	<u>\$ (36,744)</u>

c. Depreciation

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Properties, plants and equipment	\$ 212,233	\$ 223,854
Right-of-use assets	<u>17,856</u>	<u>16,789</u>
	<u>\$ 230,089</u>	<u>\$ 240,643</u>
An analysis of depreciation by function		
Operating costs	\$ 208,745	\$ 220,807
Operating expenses	<u>21,344</u>	<u>19,836</u>
	<u>\$ 230,089</u>	<u>\$ 240,643</u>

d. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefits		
Defined contribution plans	\$ 10,879	\$ 10,727
Defined benefit plans (Note 18)	896	1,578
Share-based payments compensation costs	19,031	-
Short-term benefits		
Salaries	288,364	286,148
Labor and health insurance	23,795	24,100
Others	<u>45,224</u>	<u>40,066</u>
Total employee benefits expense	<u>\$ 388,189</u>	<u>\$ 362,619</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 191,284	\$ 202,185
Operating expenses	<u>196,905</u>	<u>160,434</u>
	<u>\$ 388,189</u>	<u>\$ 362,619</u>

e. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of 1%-3% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on February 26, 2021 and February 25, 2020, respectively, are as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Employees' compensation	1.90%	1.93%
Remuneration of directors and supervisors	1.90%	1.93%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	\$ 9,800	\$ 7,540
Remuneration of directors and supervisors	9,800	7,540

If there is a change in the amounts after the annual 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, February 25, 2020 and February 25, 2019, and those meetings resulted in the actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2020, 2019 and 2018 to differ from the amounts recognized in the financial statements for the years ended December 31, 2020, 2019 and 2018, respectively. The differences were adjusted to profit and loss for the years ended December 31, 2021, 2020 and 2019, respectively.

	<u>For the Year Ended December 31</u>					
	<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>Employees' Compensation</u>	<u>Remuneration of Directors and Supervisors</u>	<u>Employees' Compensation</u>	<u>Remuneration of Directors and Supervisors</u>	<u>Employees' Compensation</u>	<u>Remuneration of Directors and Supervisors</u>
Amounts approved in the board of directors' meeting	<u>\$ 10,547</u>	<u>\$ 10,547</u>	<u>\$ 9,424</u>	<u>\$ 9,424</u>	<u>\$ 9,885</u>	<u>\$ 9,885</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>	<u>\$ 9,945</u>	<u>\$ 9,945</u>

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

f. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on bank loans	\$ 5,004	\$ 5,288
Interest on lease liabilities	<u>659</u>	<u>800</u>
	<u>\$ 5,663</u>	<u>\$ 6,088</u>

g. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gains	\$ 15,904	\$ 20,606
Foreign exchange losses	<u>(25,185)</u>	<u>(23,092)</u>
Net losses	<u>\$ (9,281)</u>	<u>\$ (2,486)</u>

## 22. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current period	\$ 89,024	\$ 57,044
Adjustments for prior periods	<u>(2,304)</u>	<u>944</u>
	<u>86,720</u>	<u>57,988</u>
Deferred tax		
In respect of the current period	9,244	(6,935)
Adjustments for prior periods	<u>-</u>	<u>1,042</u>
	<u>9,244</u>	<u>(5,893)</u>
Income tax expense recognized in profit or loss	<u>\$ 95,964</u>	<u>\$ 52,095</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax	<u>\$ 495,437</u>	<u>\$ 376,570</u>
Income tax expense calculated at the statutory rate	\$ 99,087	\$ 75,314
Nondeductible expenses in determining taxable income	66	167
Tax-exempt income	(3,128)	(1,119)
Additional income for tax purpose	1,349	1,660
Subsidiaries reduce capital to offset deficit	-	(16,628)

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Unrecognized taxable temporary differences	\$ 894	\$ (5,825)
Taxable temporary differences arising from investment in subsidiaries	-	(3,460)
Adjustments for prior years' tax	<u>(2,304)</u>	<u>1,986</u>
Income tax expense recognized in profit or loss	<u>\$ 95,964</u>	<u>\$ 52,095</u> (Concluded)

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Company only deducts the amounts of the unappropriated earnings that has been reinvested in capital expenditure.

b. Current tax liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax liabilities		
Income tax payable	<u>\$ 60,493</u>	<u>\$ 14,069</u>

Prepaid income tax of \$28,530 thousand and \$42,975 thousand has been deducted from the income tax payable for 2020 and 2019, respectively.

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

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

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Others	\$ -	\$ 108	\$ -	\$ 108 (Concluded)

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligations	\$ 10,868	\$ (4,677)	\$ 1,391	\$ 7,582
Property, plant and equipment	-	7,000	-	7,000
Investments accounted for using the equity method	-	3,460	-	3,460
Payables for annual leave	1,674	(625)	-	1,049
Allowance for impairment loss	2,639	(1,012)	-	1,627
Unrealized exchange loss	-	1,442	-	1,442
FVOCI financial assets	-	-	1,265	1,265
Others	<u>10,692</u>	<u>219</u>	<u>-</u>	<u>10,911</u>
	<u>\$ 25,873</u>	<u>\$ 5,807</u>	<u>\$ 2,656</u>	<u>\$ 34,336</u>

Deferred tax liabilities

Temporary differences				
Unrealized exchange gain	\$ 86	\$ (86)	\$ -	\$ -
FVOCI financial assets	<u>2,935</u>	<u>-</u>	<u>(2,935)</u>	<u>-</u>
	<u>\$ 3,021</u>	<u>\$ (86)</u>	<u>\$ (2,935)</u>	<u>\$ -</u>

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

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries and associates for which no deferred tax liabilities have been recognized were \$53,318 thousand and \$50,752 thousand, respectively.

- e. Income tax assessments

The income tax returns through 2018, have been assessed by the tax authorities.

## 23. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Basic earnings per share		
Basic earnings per share	<u>\$ 4.36</u>	<u>\$ 3.58</u>
Diluted earnings per share		
Diluted earnings per share	<u>\$ 4.36</u>	<u>\$ 3.57</u>

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

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Profit for the year	<u>\$ 399,473</u>	<u>\$ 324,475</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	91,553	90,706
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>151</u>	<u>185</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>91,704</u>	<u>90,891</u>

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

## 24. SHARE-BASED PAYMENT ARRANGEMENTS

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

	<b>October 2020</b>
Grant-date share price	\$69.00
Exercise price	48.70
Expected volatility	39.75%
Expected life (in days)	29
Expected dividend yield	-
Risk-free interest rate	0.14%

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

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

## 25. NON-CASH TRANSACTION

For the years ended December 31, 2020 and 2019, the Company entered into the following non-cash investing activities which were not reflected in the statements of cash flows:

The Company reclassified and paid for property, plant and equipment partly during 2020 and 2019 (see Notes 13 and 17) and the information is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Long-term prepaid transferred (reclassification)	<u>\$ 13,651</u>	<u>\$ 8,255</u>
Increase in property, plant and equipment	\$ 145,395	\$ 192,399
Decrease in payable of purchase of equipment	<u>31,438</u>	<u>5,438</u>
Paid in cash by acquiring property, plant and equipment	<u>\$ 176,833</u>	<u>\$ 197,837</u>

## 26. CAPITAL MANAGEMENT

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

As for the strategy of the Company's capital structure management, the Company sets its suitable market share according to its industry scale, the growth of the industry and the blueprint of the product development. The Company estimates the required capacity, the equipment and related capital expenditure to be used. Then the Company calculates working capitals and cash on the basis of the industry character to support a complete plan for its long-term development. Finally, the Company estimates not only the possible contribution margin, operating profit ratio and cash flows according to the product competitiveness but also risk factors such as the fluctuation of the business circle and the life circle of the product to decide the suitable capital structure. The management inspects capital structures periodically and considers the possible costs and risks taken by different capital structures. In general, the Company adopts a prudent risk management strategy.

## 27. FINANCIAL INSTRUMENTS

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

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

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

#### 1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</u>				
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 47,020	\$ -	\$ -	\$ 47,020
Domestic unlisted shares	-	-	6,698	6,698
Foreign unlisted shares	-	-	<u>49,307</u>	<u>49,307</u>
	<u>\$ 47,020</u>	<u>\$ -</u>	<u>\$ 56,005</u>	<u>\$ 103,025</u>

#### December 31, 2019

Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 29,786	\$ -	\$ -	\$ 29,786
Domestic unlisted shares	-	-	6,698	6,698
Foreign unlisted shares	-	-	<u>25,239</u>	<u>25,239</u>
	<u>\$ 29,786</u>	<u>\$ -</u>	<u>\$ 31,937</u>	<u>\$ 61,723</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2020 and 2019.

#### 2) 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 domestic unlisted equity securities - ROC were determined using the income approach. In 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 used are listed in the table below. Decrease in discount for lack of marketability or non-controlling interests discount would result in increases in fair value.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</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>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount for lack of marketability		
1% decrease	<u>\$ 81</u>	<u>\$ 92</u>
Non-controlling interests discount		
1% decrease	<u>\$ 76</u>	<u>\$ 86</u>

- ii. The fair values of non-listed foreign equity investments were 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>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount for lack of marketability	32.27%	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>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount for lack of marketability		
1% decrease	<u>\$ 599</u>	<u>\$ 599</u>

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,879,906	\$ 1,182,301
Financial assets at FVTOCI - equity instruments	103,025	61,723
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	1,091,548	854,619

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

2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, notes and accounts payables, accounts payables - related parties, long-term liabilities due within one year, other payables and long-term borrowings.

d. Financial risk management objectives and policies

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

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

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

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

1) Market risk

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

a) Foreign currency risk

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

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities which were not in the same functional currency as the Company entity at the end of the reporting period are shown in Note 30.

Sensitivity analysis

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

The following table shows the Company's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency of the Company) against the relevant foreign currencies. A 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The 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.

	<u>Currency USD Impact</u>	
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Profit or loss	\$ <u>11,074</u> *	\$ <u>10,689</u> *

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

b) Interest rate risk

The Company is exposed to interest rate risk because entities in the Company borrow funds at both fixed and floating interest rates. The Company's financial costs for the years ended December 31, 2020 and 2019 were \$5,663 thousand and \$6,088 thousand, respectively, which only constitute 0.16% and 0.16% of the operating revenue. Therefore, interest rate risk has no significant impact on the Company.

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

	<b>Unit: Thousand</b>	
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial liabilities	\$ 537,810	\$ 472,579
Cash flow interest rate risk		
Financial liabilities	232,573	50,000

Sensitivity analysis

The sensitivity analysis were determined on the basis of the Company's exposure to interest rate change 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 has been outstanding for the whole year. If interest rates had been five basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would decrease/increase by \$116 thousand and \$25 thousand, respectively.

c) Other price risk

The Company is exposed to price risk due to the investment in the financial assets of domestic listed companies. The Company has established an immediate control mechanism and is 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 year ended December 31, 2020 and 2019 would have increased/decreased by \$5,151 thousand, and \$3,086 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. As of the end of the reporting period, the Company's maximum exposure to credit risk, which will cause a financial loss to the Company because of the counterparties' failure to discharge their obligations, could arise from the carrying amount of the financial assets recognized in the balance sheets.

Apart from Company A, B and C, the Company did not have significant credit risk exposure from any single counterparty or any group of counterparties with similar characteristics. Apart from Company 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 Company A, B and C are all trustworthy counterparties.

### 3) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2020 and 2019, the Company had available unutilized short-term bank loan facilities of \$966,147 thousand and \$973,844 thousand, respectively.

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

#### 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>5+ Years</b>
<u>Non-derivative financial instruments</u>					
Lease liabilities	\$ 1,288	\$ 2,577	\$ 9,169	\$ 21,182	\$ 26,117
Variable interest rate liabilities	-	5,143	20,429	207,001	-
Fixed interest rate liabilities	<u>300,000</u>	<u>180,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 301,288</u>	<u>\$ 187,720</u>	<u>\$ 29,598</u>	<u>\$ 228,183</u>	<u>\$ 26,117</u>

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

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>
Lease liabilities	<u>\$ 13,034</u>	<u>\$ 21,182</u>	<u>\$ 26,117</u>	<u>\$ -</u>

#### December 31, 2019

	<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>5+ Years</b>
<u>Non-derivative financial instruments</u>					
Lease liabilities	\$ 1,520	\$ 3,039	\$ 11,157	\$ 25,148	\$ 35,536
Variable interest rate liabilities	-	50,000	-	-	-
Fixed interest rate liabilities	<u>290,000</u>	<u>110,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 291,520</u>	<u>\$ 163,039</u>	<u>\$ 11,157</u>	<u>\$ 25,148</u>	<u>\$ 35,536</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>\$ 15,716</u>	<u>\$ 25,148</u>	<u>\$ 24,508</u>	<u>\$ 11,028</u>

**28. TRANSACTIONS WITH RELATED PARTIES**

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and 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 Co., Ltd.	Investors with significant influence
Chang, Chwen-Ming	Investors with significant influence
San Fu Biotech Co., Ltd.	Subsidiaries
International Nitto Technology Co., Ltd.	Subsidiaries
Shian Yun Joint Stock Company	Associates
Lifu Carbonic Acid Co., Ltd.	Associates
Hong Cheng Enterprise Co., Ltd.	Associates
Zhong Hua Fang Da (International Investment Development Limited)	Associates
Sanfuming Electronic Material Co., Ltd.	Joint venture
Fulu Cultural Foundation	Others

b. Operating transactions

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Sales</u>		
Subsidiaries	\$ 56,461	\$ 75,639
Joint ventures	<u>11,744</u>	<u>24,651</u>
	<u>\$ 68,205</u>	<u>\$ 100,290</u>
<u>Purchase</u>		
Subsidiaries	\$ 15,615	\$ 18,777
Joint ventures	88	74,189
Associates	<u>13,216</u>	<u>18,253</u>
	<u>\$ 28,919</u>	<u>\$ 111,219</u>

(Continued)

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Service revenue (recognized as other income)</u>		
Joint ventures		
Sanfuming Electronic Material Co., Ltd.	\$ 6,017	\$ 6,685
Associates	367	4,614
Investors with significant influence		
San Fu Global Co., Ltd.	<u>-</u>	<u>600</u>
	<u>\$ 6,384</u>	<u>\$ 11,899</u>
<u>Service revenue (recognized as other expense)</u>		
Investors with significant influence	<u>\$ 1,279</u>	<u>\$ -</u>
<u>Entertainment expense (recognized as cost of goods sold and operating expenses)</u>		
Subsidiaries	<u>\$ 446</u>	<u>\$ 344</u>
<u>Donation expense</u>		
Others		
Fulu Cultural Foundation	<u>\$ 1,000</u>	<u>\$ 4,000</u>
<u>Management service revenue (recognized as an offset to operating expenses and cost of goods sold) (Note)</u>		
Subsidiaries	<u>\$ (16,060)</u>	<u>\$ (11,965)</u> (Concluded)

Note: The Company entered into an operation management contract with San Fu Biotech Co., Ltd., whereas San Fu Biotech Co., Ltd. appoints the Company to manage its administrative work. Pursuant to the contract, San Fu Biotech Co., Ltd agreed to bear a portion of the manufacturing costs and employment expenses incurred by the Company on a monthly basis.

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Accounts receivable - related parties</u>		
Subsidiaries		
San Fu Biotech Co., Ltd.	\$ 12,363	\$ 32,299
Joint ventures	3,573	10,587
		(Continued)

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Other receivable - related parties</u>		
Investors with significant influence	\$ -	\$ 630
Subsidiaries		
San Fu Biotech Co., Ltd.	6,412	108,855
Others	295	-
Joint ventures	6,017	6,301
Associates	<u>-</u>	<u>3,926</u>
	<u>\$ 28,660</u>	<u>\$ 162,598</u>
<u>Accounts payable - related parties</u>		
Subsidiaries	\$ 3,248	\$ 7,321
Associates	<u>2,047</u>	<u>4,743</u>
	<u>\$ 5,295</u>	<u>\$ 12,064</u> (Concluded)

The outstanding accounts payable to related parties are unsecured, and the outstanding accounts receivable from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment loss was recognized for accounts receivable from the related parties.

	<b>Proceeds</b>		<b>Gain on Disposal</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<u>Disposals of property, plant and equipment</u>				
Subsidiaries	\$ -	\$ 160,136	\$ -	\$ -
Associates	<u>-</u>	<u>647</u>	<u>-</u>	<u>647</u>
	<u>\$ -</u>	<u>\$ 160,783</u>	<u>\$ -</u>	<u>\$ 647</u>

c. Lease arrangements

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Lease liabilities	Investors with significant influence over the Group		
	Sanfu Global Co., Ltd.	\$ 45,387	\$ 58,916
	Others	<u>-</u>	<u>1,019</u>
		<u>\$ 45,387</u>	<u>\$ 59,935</u>

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Interest expense</u>		
Investors with significant influence over the Group		
Sanfu Global Co., Ltd.	\$ 518	\$ 639
Others	<u>6</u>	<u>16</u>
	<u>\$ 524</u>	<u>\$ 655</u>

d. Others

Investors with significant influence signed a trust agreement of marketable securities with CTBC Bank on September 29, 2016. The Company is a beneficiary of interest. The trust interest revenue was \$6,746 thousand and \$8,303 thousand in 2020 and 2019, respectively, and the revenue was credited in capital surplus - donations.

e. Compensation of key management personnel

The compensation to directors and other key management personnel were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 33,795	\$ 37,204
Post-employment benefits	<u>1,402</u>	<u>1,296</u>
	<u>\$ 35,197</u>	<u>\$ 38,500</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 borrowing and obligations under the sales agreement:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Pledged deposits (classified as financial assets at amortized cost)	\$ 222,400	\$ 6,285
Land	40,349	40,349
Buildings, net	<u>49,054</u>	<u>52,439</u>
	<u>\$ 311,803</u>	<u>\$ 99,073</u>

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

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2020

**Unit: Thousands of New Taiwan Dollars and Others**

	<b>Foreign Currencies</b>	<b>Exchange Rate (Functional Currency)</b>	<b>Carrying Amount</b>
<u>Foreign financial assets</u>			
Monetary items			
USD	\$ 10,162	28.430 (USD:NTD)	\$ 288,906
Non-monetary items			
Investments for subsidiaries and associates accounted for using the equity method			
USD	14,508	28.480 (USD:NTD)	413,536
VND	554,570,270	0.0011 (VND:NTD)	615,461
<u>Foreign financial liabilities</u>			
Monetary items			
USD	2,363	28.530 (USD:NTD)	67,146

December 31, 2019

Unit: Thousands of New Taiwan Dollars and Others

	Foreign Currencies	Exchange Rate (Functional Currency)	Carrying Amount
<u>Foreign financial assets</u>			
Monetary items			
USD	\$ 8,829	29.930 (USD:NTD)	\$ 264,252
JPY	61,619	0.274 (JPY:NTD)	16,884
Non-monetary items			
Investments for subsidiaries and associates accounted for using the equity method			
USD	13,566	29.930 (USD:NTD)	406,705
VND	256,576,068	0.274 (VND:NTD)	300,194
<u>Foreign financial liabilities</u>			
Monetary items			
USD	1,681	30.030 (USD:NTD)	50,480

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

	For the Year Ended December 31			
	2020		2019	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains	Exchange Rate	Net Foreign Exchange Losses
USD	28.430 (USD:NTD)	\$ 2,242	30.930 (USD:NTD)	\$ (7,334)
JPY	0.274 (JPY:NTD)	-	0.274 (JPY:NTD)	(308)

### 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, associates 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)
- b. Information on investees (Table 5)
- 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 6)
  - 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 7).

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

**FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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 for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Company's Total Financing Amount Limits (Note 2)	Note
													Item	Value		
0	Sanfu Chemical Corporation	San Fu Biotech Co., Ltd.	Other receivable	Y	\$ 250,000	\$ 250,000	\$ -	-	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ 379,266	\$ 1,517,063	Note 3
0	Sanfu Chemical Corporation	International Nitto Technology Co., Ltd.	Other receivable	Y	250,000	250,000	-	-	The need for short-term financing	-	Operating capital	-	-	379,266	1,517,063	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 amount of financing provided by the Company and its subsidiaries to each individuals is as follows:
  - 1) The maximum amount of financing provided to all businesses 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.
  - 2) 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 has been eliminated when preparing the consolidated financial statements.

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

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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	Sanfu Chemical Corporation	San Fu Biotech Co., Ltd.	A subsidiary in which the Parent Company holds directly and indirectly over 90% of an equity interest.	\$379,266	\$250,000	\$250,000	\$140,000	\$ -	6.59%	\$1,517,063	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 guarantees provided by the Company shall not exceed 40% of the Company's net worth.
- b. The maximum amount of guarantees provided to all subsidiaries not exceed 10% of the Company's net worth. The maximum amount of guarantees provided to an individual shall not exceed 10% of the Company's net worth.

## SAN FU CHEMICAL CO., LTD.

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

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

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2020			Note
				Shares (In Thousands)	Carrying Value	Percentage of Ownership	
San Fu Chemical Corporation	E'Date Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	642	\$ 6,698	3.45	\$ 6,698
	Savior Lifetec Corporation	-	Financial assets at fair value through other comprehensive income	1,357	47,020	0.45	47,020
	Global Graphene Group	-	Financial assets at fair value through other comprehensive income	18	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	-	54,446	4.17	54,446

Note 1: The information for investments in subsidiaries, associates and joint venture is included in Tables 5 and 6.

Note 2: The fair value is calculated based on closing prices on December 31, 2020.

## SAN FU CHEMICAL CO., LTD.

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Adjustments (Note 1)	Disposal		Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount		Number of Shares	Amount	Gain (Loss) on Disposal	Number of Shares
Sanfu Chemical Corporation	Vina SanFu Industrial Gas Company Limited	Investment accounted for using the equity method	Capital injection	Subsidiary	-	\$ 122,547	-	\$ 221,685	\$ (33,631)	-	\$ -	-	\$ 310,601

Note 1: Including the profit or loss of subsidiaries recognized under the equity method and adjustments to shareholder's equity.

## SAN FU CHEMICAL CO., LTD.

INFORMATION ON INVESTEES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company (Note 2)	Location	Main Businesses and Products	Original Investment Amount December 31, 2020	As of December 31, 2020 Shares (in Thousands)	Percentage of Ownership	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss) of the Investee	Note
San Fu Chemical Corporation	San Fu Specialty Chemicals Investments Limited	Samoa	Investment activities	US\$ 2,351 thousand	2,351	100.00	\$ 413,192	\$ 7,388	\$ 7,388	Note 1
	San Fu Food Additives Investments Limited	Samoa	Investment activities	US\$ 552 thousand	552	100.00	344	-	-	"
	VinaSanFu Industrial Gas Company Limited	Vietnam	Engaged in industrial gas production	US\$ 12,285 thousand	-	100.00	310,601	(4,207)	(4,207)	"
	VinaSanFu Material Company Limited	Vietnam	Engaged in the production of chemical materials	US\$ 10,700 thousand	-	100.00	269,074	(5,490)	(5,490)	"
	San Fu Biotech Co., Ltd.	Taiwan	Engaged in the manufacture and sale of food additives	125,000	12,500	100.00	148,552	17,694	17,694	"
	International Nitto Technology Co., Ltd	Taiwan	Engaged in electronic component manufacturing business	227,904	15,000	100.00	148,365	(2,716)	(2,716)	"
	Hongchong Enterprise Co., Ltd.	Taiwan	Liquid oxygen, oxygen, liquid nitrogen and other gas trading business	10,527	1,200	50.00	13,777	1,972	986	
	Lifu Carbonate Co., Ltd.	Taiwan	Engaged in carbon dioxide gas, carbonic acid fire extinguisher, dry ice manufacturing and its sales and marketing	7,193	1	25.00	9,386	(5,650)	(1,412)	
	Shian Yun Joint Stock Company	Vietnam	Engaged in industrial gas production	US\$ 1,232 thousand	2,660	33.33	35,786	(6,493)	(2,164)	
	San Fu Specialty Chemicals Investments Limited	Sanfuming Electronic Material Co., Ltd.	Shanghai, China	Engaged in the operation of international trade business	US\$ 2,151 thousand	-	50.00	346,134	17,432	8,716
Sino Star Holding Limited		Samoa	Investment activities	US\$ 1,868 thousand	1,868	100.00	55,433	1	1	Note 1
San Fu Food Additives Investments Limited	Fangda International (SAMOA) Ltd.	Samoa	Investment activities	US\$ 1,300 thousand	1,300	41.94	-	-	-	

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 6.

## SAN FU CHEMICAL CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from January 1, 2020 (Note 1)	Remittance of Funds		Accumulated Outward Investment from Taiwan as of December 31, 2020 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Sanfuming Electronic Material Co., Ltd.	Engaged in the operation of international trade business	\$ 256,320 (US\$ 9,000 thousand) (Notes 1 and 4)	Through the third company reinvest in mainland companies	\$ 18,540 (US\$ 651 thousand)	\$ -	\$ -	\$ 18,540 (US\$ 651 thousand)	\$ 17,432	50.00	\$ 8,716	\$ 346,134 (US\$ 12,154 thousand)	\$ -
Hubei Xingfu Electronic Material Co., Ltd.	Engaged in chemical products production and sales	1,307,918 (CNY 300,000 thousand) (Note 2)	Through the third company reinvest in mainland companies	\$ 53,144 (US\$ 1,866 thousand)	\$ -	\$ -	\$ 53,144 (US\$ 1,866 thousand)	(19,634)	4.17	-	\$ 54,446 (US\$ 1,912 thousand)	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$166,152 (US\$5,834 thousand) (Notes 5, and 6)	\$272,240 (US\$9,559 thousand)	\$2,275,595

Note 1: The exchange rate is US\$1=NT\$28.48 on December 31, 2020.

Note 2: The exchange rate is RMB1=NT\$4.361 on December 31, 2020.

Note 3: The average exchange rate is US\$1=NT\$29.549 for the year ended December 31, 2020.

Note 4: In April, 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.

**TABLE 7****SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sanfu Global Co., Ltd.	24,067,315	23.89%
Pilot Keymakr 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 Market Observation Post System.

# SAN FU CHEMICAL CO., LTD.

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**SAN FU CHEMICAL CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash on hand		\$ <u>330</u>
Cash in banks		
Checking accounts and demand deposits		293,330
Foreign currency deposits	Including US\$1,506 thousand @28.43	<u>42,827</u>
		<u>336,157</u>
Cash equivalents (investment with original maturities of less than 3 months)	From 2020.12.09 to 2021.03.09, interest rates at 0.06%	160,000
Time deposits	From 2020.12.23 to 2021.03.23, interest rates at 0.06%	<u>110,000</u>
		<u>270,000</u>
		<u>\$ 606,487</u>

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

**STATEMENT OF ACCOUNTS RECEIVABLE, NET**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Client A	\$ 371,232
Client B	167,235
Client C	154,118
Client D	99,505
Others (Note)	<u>212,890</u>
	1,004,980
Less: Allowance for doubtful accounts	<u>(571)</u>
	<u>\$ 1,004,409</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**SAN FU CHEMICAL CO., LTD.****STATEMENT OF INVENTORIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value
Merchandise	\$ 6,571	\$ 6,392
Finished goods	150,102	113,789
Work in process	11,261	11,261
Semi-finished goods	1,875	1,875
Raw materials	185,763	184,930
Supplies	<u>19,474</u>	<u>18,816</u>
	375,046	<u>\$ 337,063</u>
Less: Inventory write-downs (Note)	<u>(37,983)</u>	
	<u>\$ 337,063</u>	

Note: Inventory write-downs include \$179 thousand for merchandise, \$36,313 thousand for finished goods, \$833 thousand for raw materials and \$658 thousand for supplies.

## SAN FU CHEMICAL CO., LTD.

## STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investees	Balance, January 1, 2020		Additions in Investment		Share of Profit (Loss) of the Investee	Cumulative Exchange Differences on Translating Foreign Operations	Non-current Assets Held for Sale	Balance, December 31, 2020		Net Assets Value	Collateral	Note
	Shares	Amount	Shares	Amount				Shares	Percentage of Ownership (%)			
Unlisted companies												
San Fu Specialty Chemicals Investments Limited	2,351	\$ 406,344	-	\$ -	\$ 7,388	\$ (540)	\$ -	2,351	100.00	\$ 413,192	Nil	
San Fu Food Additives Investments Limited	522	361	-	-	-	(17)	-	522	100.00	344	Nil	
VinaSanFu Industrial Gas Company Limited	-	122,547	-	221,685	(4,207)	(29,424)	-	-	100.00	310,601	Nil	
VinaSanFu Material Company Limited	-	138,134	-	164,056	(5,490)	(27,626)	-	-	100.00	269,074	Nil	
San Fu Biotech Co., Ltd.	12,500	130,858	-	-	17,694	-	-	12,500	100.00	148,552	Nil	
International Nitto Technology Co., Ltd.	15,000	-	-	-	(2,716)	-	151,081	15,000	100.00	148,365	Nil	
Hong Cheng Enterprise Co., Ltd.	1,200	12,791	-	-	986	-	-	1,200	50.00	13,777	Nil	
Lifu Carbonic Acid Co., Ltd.	1	10,798	-	-	(1,412)	-	-	1	25.00	9,386	Nil	
Shian Yun Joint Stock Company	2,360	39,513	-	-	(2,164)	(1,563)	-	2,360	33.33	35,786	Nil	
		\$ 861,346		\$ 385,741	\$ 10,079	\$ (59,170)	\$ 151,081			\$ 1,349,077		
										\$ 1,341,503		

Note: Capital reduction, reduced capital to offset prior years' loss, and cash dividends allocated to the invested company are included.

## SAN FU CHEMICAL CO., LTD.

STATEMENT OF SHORT-TERM LOANS  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Type	Contract Period	Range of Interest Rates (%)	Balance, End of Year	Loan Commitments	Collateral
<u>Secured borrowings</u>					
First Commercial Bank	2020.11-2021.02	0.93	\$ 250,000	\$ 590,000	Guarantee
<u>Bank credit loan</u>					
Bank of Taiwan	2020.12-2021.03	0.89	50,000	100,000	Nil
Citi Bank	2020.11-2021.02	0.83	60,000	199,360	Nil
Cathay United Bank	2020.12-2021.03	0.99	20,000	60,000	Nil
Taipei Fubon Bank	2020.07-2021.01	0.86	100,000	150,000	Nil
			<u>230,000</u>	<u>509,360</u>	
			<u>\$ 480,000</u>	<u>\$ 1,099,360</u>	

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

**STATEMENT OF ACCOUNTS PAYABLES**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Vendor A	\$ 24,624
Vendor B	14,490
Vendor C	12,352
Vendor D	12,297
Vendor E	11,035
Vendor F	9,892
Others (Note)	<u>106,486</u>
	<u>\$ 191,176</u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

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

**STATEMENT OF REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Shipments (KG)</b>	<b>Amount</b>
Stripper	17,303,340	\$ 784,025
Etchant	17,320,440	515,017
Construction		424,023
TMAM - recycle	17,761,290	439,840
Others (Note)		<u>1,460,696</u>
		3,623,601
Less: Sales returns		(690)
Sales discounts		<u>(6,153)</u>
		<u>\$ 3,616,758</u>

Note: The amount of each item in others does not exceed 10% of the total revenue.

**SAN FU CHEMICAL CO., LTD.****STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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Item	Amount
Merchandise balance, beginning of year	\$ 13,412
Merchandise purchased	307,641
Merchandise balance, end of year	<u>(6,571)</u>
Cost of contract revenue and merchandise sales	<u>314,482</u>
Raw materials, beginning of year	214,685
Raw materials purchased	1,694,308
Raw materials balance, end of year	(185,763)
Sales of raw materials	(561,742)
Transferred to expenses	<u>(9,429)</u>
Raw materials used	1,152,059
Supplies, beginning of year	23,907
Supplies purchased	62,357
Supplies, end of year	(19,474)
Sales of supplies	(3,141)
Transferred to expenses	<u>(27,783)</u>
Supplies used	35,866
Direct labor	117,571
Manufacturing expenses	<u>540,517</u>
Manufacturing cost	1,846,013
Work in process, beginning of year	18,722
Work in process, end of year	(11,261)
Semi-finished goods, beginning of year	2,923
Semi-finished goods purchased	35,504
Semi-finished goods, end of year	<u>(1,875)</u>
Cost of finished goods	1,890,026
Finished goods, beginning of year	176,854
Other adjustments for finished goods	1,570
Finished goods, end of year	(150,102)
Transferred to other accounts	<u>(1,454)</u>
Cost of goods sold	1,916,894
Reversal of write-downs of inventories	(5,961)
Other cost of goods sold	<u>564,272</u>
Operating costs	<u>\$ 2,789,687</u>

**SAN FU CHEMICAL CO., LTD.****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Selling Expenses</b>	<b>General and Administrative Expenses</b>	<b>Research and Development Expenses</b>	<b>Total</b>
Payroll	\$ 61,848	\$ 68,918	\$ 17,544	\$ 148,310
Freight	66,091	-	-	66,091
Consumables	528	241	7,785	8,554
Contracted research expense	-	-	5,022	5,022
Utilities fee	265	330	2,675	3,270
Depreciation expense	10,038	8,259	3,047	21,344
Others (Note)	<u>34,477</u>	<u>56,486</u>	<u>4,834</u>	<u>95,797</u>
	<u>\$ 173,247</u>	<u>\$ 134,234</u>	<u>\$ 40,907</u>	<u>\$ 348,388</u>

Note: Expected credit loss is included and the amount of each item in others does not exceed 5% of the account balance.

## SAN FU CHEMICAL CO., LTD.

STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

	2020			2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit						
Salaries	\$ 156,340	\$ 124,022	\$ 280,362	\$ 165,600	\$ 113,435	\$ 279,035
Labor and health insurance	14,461	9,334	23,795	15,067	9,033	24,100
Pension	6,495	5,280	11,775	7,049	5,256	12,305
Board compensation	-	15,950	15,950	-	13,188	13,188
Share-based payments compensation costs	-	19,031	19,301	-	-	-
Others	13,988	23,288	37,276	14,469	19,522	33,991
Depreciation	208,745	21,344	230,089	220,807	19,836	240,643

Note 1: As of December 31, 2020 and 2019, the Company had 348 and 367 employees, respectively. There were 6 non-employee directors for both years and their calculation basis is consistent with employee benefit.

Note 2: Listed Company at Taiwan Stock Exchange and over-the-counter company at Taipei Exchange should disclose additional information below:

- a. The average amount of labor cost for the years ended December 31, 2020 and 2019 was NT\$1,088 thousand and NT\$968 thousand, respectively.

(“Total labor cost - Total board compensation”/“Total employee count - Total non-employee director count”)

- b. The average amount of salary and bonus for the years ended December 31, 2020 and 2019 was NT\$875 thousand and NT\$773 thousand, respectively.

(Total salary and bonus/“Total employee count - Total non-employee director count”)

- c. The average salary and bonus decreased by 13% year over year.

(“Average salary and bonus in current year - Average salary and bonus in previous year”/Average salary and bonus in previous year)

- d. The compensation to the supervisor for the years ended December 31, 2020 and 2019 was NT\$2,262 thousand and NT\$1,885 thousand, respectively.

San Fu Chemical Co., Ltd.



Responsible Person: Wu Xin-Hong



May , 2021