

Stock Code : 4755

San Fu Chemical Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the First Quarter Ended March 31, 2022 and 2021 and Independent Auditors' Review Report

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(English Translation)

INDEPENDENT AUDITORS' REVIEW REPORT

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

Opinion

We have reviewed the accompanying consolidated financial statements of San Fu Chemical Co., Ltd. (the Company) and its subsidiaries (collectively referred to as the "Group"), which comprises the consolidated balance sheets as of March 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three-month ended March 31, 2022 and 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and International Accounting Standard ("IAS") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement on Auditing Standards No. 65 (SAS65) "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Opinion

As stated in Note 12 to the consolidated financial statements, the financial statements of the non-significant subsidiaries included in the consolidated financial statements for the same period have not been reviewed by accountants. Its total assets as of March 31, 2022 and 2021 were NT\$2,184,108 thousand and NT\$1,152,457 thousand respectively, amounted to 31% and 23% of the Group's consolidated total assets. The total liabilities were NT\$256,310 thousand and NT\$199,601 thousand respectively, which amounted to 9% and 15% of the consolidated total liabilities respectively. The total consolidated profit and loss for the quarterly reporting period from January 1 to March 31, 2022 and 2021 were NT\$19,604 thousand and NT\$15,340 thousand respectively, which amounted to 5% and 16% of the total consolidated comprehensive profit and loss, respectively. In addition, as stated in Note 12 of the consolidated financial statements, the investment balance as of March 31, 2022 and 2021 of San Fu Chemical Co., Ltd. and its subsidiaries adopted equity method of accounting were NT\$499,512 thousand

and NT\$411,452 thousand respectively. The amount of consolidated profits and losses of affiliated companies and joint ventures recognized by the equity method accounting from January 1 to March 31 2022 and 2021 were NT\$42,196 thousand and NT\$6,114 thousand respectively, and the relevant information of the reinvestment business mentioned in the note 32 to the financial statements was based on the recognition and disclosure of the investee company's financial statements during the same period without being reviewed by an accountant.

Conclusion

Based on our reviews, except for the relevant information disclosed in the financial statements of non-significant subsidiaries and investee companies that adopt the equity method as described in the basic paragraph of the reserved conclusions and the relevant information disclosed in Note 32, if reviewed by an accountant, the consolidated financial statements may be adjusted, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of San Fu Chemical Co., Ltd. and its subsidiaries as of March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows For the three months ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and IAS 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche
Taipei, Taiwan
Republic of China

Accountant **Xu Xiuming**

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

Accountant **Ong Yaling**

Financial Supervisory Commission
License number: FSC-Review- 1020025513

Dated May 06, 2022

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2022, DECEMBER 31 AND MARCH 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Code	ASSETS	2022.3.31 (REVIEWED)		2021.12.31 (AUDITED)		2020.3.31 (REVIEWED)	
		Amount	%	Amount	%	Amount	%
	CURRENT ASSETS						
1100	Cash and cash equivalents (Note 6)	\$ 603,149	8	\$ 552,766	8	\$ 435,608	9
1136	Financial assets at amortized cost-current (Note 8)	233,850	3	233,472	4	233,814	5
1140	Contract asset - current (Note 20)	10,659	-	8,200	-	8,845	-
1150	Notes receivable, net (Note 9)	57,340	1	56,633	1	51,390	1
1170	Accounts receivable, net (Note 9)	1,673,271	24	1,504,822	23	922,799	18
1180	Receivable from related parties (Note 29)	8,437	-	19,627	-	16,031	-
130X	Inventories (Note 10)	757,462	11	719,825	11	378,227	7
1410	Prepayments	353,481	5	268,126	4	184,670	4
1470	Other current assets	65,014	1	99,005	2	48,497	1
11XX	Total current assets	<u>3,762,663</u>	<u>53</u>	<u>3,462,476</u>	<u>53</u>	<u>2,279,881</u>	<u>45</u>
	NON-CURRENT ASSETS						
1517	Financial asset at fair value through other comprehensive income - non-current (Note 7)	87,433	1	86,912	1	150,995	3
1550	Investments accounted for using the equity method (Note 12)	499,512	7	456,327	7	411,452	8
1560	Contract asset - non-current (Note 20)	-	-	-	-	3,906	-
1600	Property, plant and equipment (Note 13)	2,479,017	35	2,278,099	35	1,792,255	36
1755	Right-of-use asset (Note 14)	132,827	2	137,211	2	138,956	3
1840	Deferred tax assets (Note 23)	32,953	1	34,784	-	25,759	1
1915	Prepayments for equipment	76,359	1	113,951	2	223,305	4
1920	Refundable deposits	29,317	-	5,816	-	8,394	-
1990	Other non-current assets	147	-	-	-	-	-
15XX	Total non-current assets	<u>3,337,565</u>	<u>47</u>	<u>3,113,100</u>	<u>47</u>	<u>2,755,022</u>	<u>55</u>
1XXX	TOTAL	<u>\$ 7,100,228</u>	<u>100</u>	<u>\$ 6,575,576</u>	<u>100</u>	<u>\$ 5,034,903</u>	<u>100</u>
	LIABILITIES AND EQUITY						
	CURRENT LIABILITIES						
2100	Short-term borrowings (Note 15)	\$ 1,227,923	17	\$ 930,000	14	\$ 110,000	2
2130	Contract liabilities - current (Note 20)	178,750	3	203,231	3	160,160	3
2170	Notes and accounts payable (Note 16)	384,968	5	502,080	8	264,638	5
2180	Accounts payable - related parties (Note 29)	2,788	-	3,770	-	2,652	-
2200	Other payables (Note 17)	654,543	9	340,986	5	379,286	8
2230	Current tax liabilities (Note 22)	186,097	3	108,570	2	89,824	2
2280	Lease liabilities-current (Note 14)	20,276	-	22,427	-	19,067	1
2320	Long-term liabilities due within one year or one business cycle (Note 15)	70,000	1	90,572	1	55,572	1
2399	Other current liabilities	9,490	-	4,762	-	2,168	-
21XX	Total current liabilities	<u>2,734,835</u>	<u>38</u>	<u>2,206,398</u>	<u>33</u>	<u>1,083,367</u>	<u>22</u>
	NON-CURRENT LIABILITIES						
2540	Long-term borrowings (Note 15)	35,000	1	103,930	2	171,858	3
2570	Deferred tax liabilities (Note 22)	8,474	-	8,474	-	-	-
2580	Lease liabilities-non-current (Note 14)	45,970	1	49,940	1	57,794	1
2640	Net defined benefit liabilities - non-current (Note 18)	27,720	-	27,791	-	24,039	1
2670	Other non-current liabilities	2,330	-	2,454	-	2,239	-
25XX	Total non-current liabilities	<u>119,494</u>	<u>2</u>	<u>192,589</u>	<u>3</u>	<u>255,930</u>	<u>5</u>
2XXX	Total liabilities	<u>2,854,329</u>	<u>40</u>	<u>2,398,987</u>	<u>36</u>	<u>1,339,297</u>	<u>27</u>
	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)						
	Share capital						
3110	Ordinary shares	1,007,060	14	1,007,060	15	1,007,060	20
3200	Capital surplus	963,750	13	960,750	15	1,062,415	21
	Retained earnings						
3310	Legal reserve	291,281	4	291,281	4	250,297	5
3320	Special reserve	103,348	2	103,348	2	56,293	1
3350	Unappropriated earnings	1,931,649	27	1,907,058	29	1,425,539	28
3300	Total retained earnings	<u>2,326,278</u>	<u>33</u>	<u>2,301,687</u>	<u>35</u>	<u>1,732,129</u>	<u>34</u>

	Other equity						
3410	Exchange differences on translating foreign operations	(48,006)	(1)	(90,099)	(1)	(123,890)	(2)
3420	Unrealized gains and losses on financial assets measured at fair value through other comprehensive gains and losses	(<u>35,981</u>)	<u>-</u>	(<u>34,695</u>)	(<u>1</u>)	<u>17,892</u>	<u>-</u>
3400	Total other equity	(<u>83,987</u>)	(<u>1</u>)	(<u>124,794</u>)	(<u>2</u>)	(<u>105,998</u>)	(<u>2</u>)
31XX	Total owner's equity of the Company	<u>4,213,101</u>	<u>59</u>	<u>4,144,703</u>	<u>63</u>	<u>3,695,606</u>	<u>73</u>
36XX	Non-controlling interests	<u>32,798</u>	<u>1</u>	<u>31,886</u>	<u>1</u>	<u>-</u>	<u>-</u>
3XXX	Total equity	<u>4,245,899</u>	<u>60</u>	<u>4,176,589</u>	<u>64</u>	<u>3,695,606</u>	<u>73</u>
	TOTAL LIABILITIES AND EQUITY	<u>\$ 7,100,228</u>	<u>100</u>	<u>\$ 6,575,576</u>	<u>100</u>	<u>\$ 5,034,903</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Refer to Audit Report of Deloitte & Touche on May 06, 2022)

Chairman: WU, Hsin-Hung

Manager: TSAI, Chieh-Rong

Accounting supervisor: HSIEH, Ming-Chih

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

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

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

<u>Code</u>		For the three months ended March 31			
		2022		2021	
		Amount	%	Amount	%
4000	OPERATING REVENUE (Notes 20 and 29)	\$ 1,652,612	100	\$ 969,794	100
5000	OPERATING COSTS (Notes 10, 21 and 29)	<u>1,133,164</u>	<u>68</u>	<u>757,006</u>	<u>78</u>
5900	GROSS PROFIT	<u>519,448</u>	<u>32</u>	<u>212,788</u>	<u>22</u>
	OPERATING EXPENSES (Notes 21 and 29)				
6100	Selling and marketing expenses	83,688	5	56,313	6
6200	General and administrative expenses	63,143	4	35,961	4
6300	Research and development expenses	<u>11,524</u>	<u>1</u>	<u>9,075</u>	<u>1</u>
6000	Total operating expenses	<u>158,355</u>	<u>10</u>	<u>101,349</u>	<u>11</u>
6900	PROFIT FROM OPERATIONS	<u>361,093</u>	<u>22</u>	<u>111,439</u>	<u>11</u>
	NON-OPERATING INCOME AND EXPENSES				
7010	Other income (Note 21)	8,813	-	10,751	1
7020	Other gains and losses (Note 21)	13,748	1	(293)	-
7050	Financial Cost (Note 21)	(3,048)	-	(1,969)	-
7060	Share of profit or loss of associates and joint ventures Recognized by Equity Method (Note 12)	26,099	2	7,738	1
7100	Interest income	<u>274</u>	<u>-</u>	<u>126</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>45,886</u>	<u>3</u>	<u>16,353</u>	<u>2</u>
7900	PROFIT BEFORE INCOME TAX	406,979	25	127,792	13
7950	INCOME TAX EXPENSE (Note 22)	(79,358)	(5)	(27,007)	(3)
8200	NET PROFIT FOR Q1 2022 & 2021	<u>327,621</u>	<u>20</u>	<u>100,785</u>	<u>10</u>

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<u>Code</u>		<u>For the three months ended March 31</u>			
		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	Items that will not be reclassified subsequently to profit or loss:				
	Items that will not be reclassified subsequently to profit or loss:				
8316	Unrealized loss on financial assets at fair value through other comprehensive income	(\$ 1,286)	-	(\$ 6,581)	(1)
8310	Items that may be reclassified to profit and loss in the future	(1,286)	-	(6,581)	(1)
8370	Share of the other comprehensive loss of associates and joint ventures using the equity method	16,097	1	(1,624)	-
8361	Exchange differences on translating the financial statements of foreign operations	25,996	1	5,555	1
8360	Items that may be reclassified subsequently to profit or loss:	42,093	2	3,931	1
8300	Other comprehensive loss for the year, net of income tax	40,807	2	(2,650)	-
8500	TOTAL COMPREHENSIVE INCOME FOR Q1 2022 & 2021	\$ 368,428	22	\$ 98,135	10
8610	NET PROFIT ATTRIBUTABLE TO:				
	Owners of the Company	\$ 326,709	20	\$ 100,785	10
8620	Non-controlling interests	912	-	-	-
8600		\$ 327,621	20	\$ 100,785	10
8710	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
	Owners of the Company	367,516	22	98,135	10
8720	Non-controlling interests	912	-	-	-
8700		\$ 368,428	22	\$ 98,135	10
	EARNINGS PER SHARE (Note 23)				
9750	Basic	\$ 3.24		\$ 1.00	
9850	Diluted	\$ 3.24		\$ 1.00	

The accompanying notes are an integral part of the consolidated financial statements.
(Refer to Audit Report of Deloitte & Touche on May 06, 2022)

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

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)
(Expressed in thousands of New Taiwan Dollars)

		E q u i t y a t t r i b u t a b l e t o o w n e r s o f t h e c o m p a n y										
		Share Capital (Note 19)			Retained Earnings (Note 19)			Other equity				
Code		Number of Shares Authorized (In Thousand)	Amount	Capital Surplus (Note 19)	Legal reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive in come	Total	Non-controlling Interest (Note 19)	Total Equity
A1	BALANCE AT JANUARY. 1, 2021	100,706	\$ 1,007,060	\$ 1,056,191	\$ 250,297	\$ 56,293	\$ 1,526,166	(\$ 127,821)	\$ 24,473	\$ 3,792,659	\$ -	\$ 3,792,659
B5	Appropriation of 2020 earnings Cash dividend distributed to Shareholders	-	-	-	-	-	(201,412)	-	-	(201,412)	-	(201,412)
C3	Other changes in capital surplus Donations from shareholders	-	-	6,224	-	-	-	-	-	6,224	-	6,224
D1	NET PROFIT FOR Q1/ 2021 (2021.1.1~2021.3.31)	-	-	-	-	-	100,785	-	-	100,785	-	100,785
D3	Other comprehensive profit & loss after tax for Q1/2021 (2021.1.1~2021.3.31)	-	-	-	-	-	-	3,931	(6,581)	(2,650)	-	(2,650)
D5	Total comprehensive income for Q12021 (2021.1.1 ~2021.3.31)	-	-	-	-	-	100,785	3,931	(6,581)	98,135	-	98,135
Z1	BALANCE AT MARCH 31, 2021	<u>100,706</u>	<u>\$ 1,007,060</u>	<u>\$ 1,062,415</u>	<u>\$ 250,297</u>	<u>\$ 56,293</u>	<u>\$ 1,425,539</u>	(<u>\$ 123,890</u>)	<u>\$ 17,892</u>	<u>\$ 3,695,606</u>	<u>\$ -</u>	<u>\$ 3,695,606</u>
A1	BALANCE AT JANUARY 1, 2022	100,706	\$ 1,007,060	\$ 960,750	\$ 291,281	\$ 103,348	\$ 1,907,058	(\$ 90,099)	(\$ 34,695)	\$ 4,144,703	\$ 31,886	\$ 4,176,589
B5	Appropriation of 2021 Earnings: : Cash dividend distributed to Shareholders	-	-	-	-	-	(302,118)	-	-	(302,118)	-	(302,118)
C3	Other changes in capital surplus : Donations from shareholders	-	-	3,000	-	-	-	-	-	3,000	-	3,000
D1	NET PROFIT FOR Q1/2022 (2022.1.1 ~ 2022.3.31)	-	-	-	-	-	326,709	-	-	326,709	912	327,621
D3	Other consolidated profit & loss after tax For Q1/2022 (2022.1.1 ~ 2022.3.31)	-	-	-	-	-	-	42,093	(1,286)	40,807	-	40,807
D5	Total comprehensive income for Q1 2022(2022.1.1. ~ 2022.3.31)	-	-	-	-	-	326,709	42,093	(1,286)	367,516	912	368,428
Z1	BALANCE AT MARCH 31, 2022	<u>100,706</u>	<u>\$ 1,007,060</u>	<u>\$ 963,750</u>	<u>\$ 291,281</u>	<u>\$ 103,348</u>	<u>\$ 1,931,649</u>	(<u>\$ 48,006</u>)	(<u>\$ 35,981</u>)	<u>\$ 4,213,101</u>	<u>\$ 32,798</u>	<u>\$ 4,245,899</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Refer to Audit Report of Deloitte & Touche on May 06, 2022)

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

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

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

(Expressed in thousands of New Taiwan Dollars)

<u>Code</u>		<u>For the three months ended March 31</u>	
		<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
A10000	Income before income tax	\$ 406,979	\$ 127,792
	Adjustments for:		
A20100	Depreciation expenses	72,530	70,005
A20900	Finance costs	3,048	1,969
A21200	Interest income	(274)	(126)
A22300	Share of profit of associates and joint ventures	(26,099)	(7,738)
A23800	Reversal of write-down of inventories	3,660	(1,166)
A24100	Unrealized foreign currency exchange (gain) loss	(11,337)	(4,248)
A29900	Lease modification benefits	(5)	(6)
A30000	Change in operating assets and liabilities		
A31125	Contract asset - current	(2,459)	(115)
A31130	Notes receivable	(707)	(7,869)
A31150	Accounts receivable	(157,229)	133,076
A31160	Accounts receivable – related parties	14,336	(147)
A31200	Inventories	(40,828)	16,416
A31230	Prepayments	(84,895)	(96,762)
A31240	Other current assets	34,866	(22,537)
A31260	Contract asset-non-current	-	2,035
A32125	Contract liability	(24,481)	3,238
A32150	Notes and accounts payable	(119,526)	12,377
A32160	Accounts payable - related parties	(3,527)	605
A32180	Other payables	693	(8,265)
A32230	Other current liabilities	4,728	(1,223)
A32240	Net defined benefit liabilities - non-current	(71)	(499)
A32990	Other non-current liabilities	(124)	(124)
A33000	Cash generated from operations	69,278	216,688
A33100	Interest received	274	126

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		For the three months ended March 31	
<u>Code</u>		<u>2022</u>	<u>2021</u>
A33300	Interest paid	(\$ 2,908)	(\$ 2,036)
A33500	Income tax paid	<u>-</u>	(<u>631</u>)
AAAA	Net cash generated from operating activities	<u>66,644</u>	<u>214,147</u>
 CASH FLOWS FROM INVESTING ACTIVITIES			
B02700	Payments for property, plant and equipment	(175,852)	(49,717)
B03700	Increase in refundable deposits	(23,501)	(3,825)
B06700	Increase in other non-current assets	(147)	-
B07100	Increase in prepayments for equipment	(<u>20,902</u>)	(<u>29,803</u>)
BBBB	Net cash used in investing activities	(<u>220,402</u>)	(<u>83,345</u>)
 CASH FLOWS FROM FINANCING ACTIVITIES			
C00200	Increase in short-term borrowings	297,471	(480,000)
C01700	Repayment of long-term borrowings	(89,502)	(5,143)
C04020	Repayment of the principal portion of lease liabilities	(<u>6,029</u>)	(<u>5,751</u>)
CCCC	Net cash generated from (used in) financing activities	<u>201,940</u>	(<u>490,894</u>)
DDDD	EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>2,201</u>	<u>1,094</u>
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	50,383	(358,998)
E00100	CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>552,766</u>	<u>794,606</u>
E00200	CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>\$ 603,149</u>	<u>\$ 435,608</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Refer to Audit Report of Deloitte & Touche on May 06, 2022)

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

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)
(All Amounts Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The consolidated financial statements comprise the company and its subsidiaries as described in Note 11 (collectively referred to as “the Group”). The Group is mainly engaged in the production and sale of industrial gases, chemical materials and food additives.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 06, 2022.

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

(1) 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 amendment to IFRSs “The annual improvements of 2018-2020, the amendment to IFRS 3 “Reference to the Conceptual Framework”, the amendment to IAS 16 “Property, Plant and Equipment: Proceeds Before Intended Use”, the amendment to IAS 37 “Onerous Contracts – Cost of fulfilling a contract “and the amendment to the IFRS 16 “Covid-19-Related Rent Concessions after June 30, 2021” endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

(2) New IFRSs issued by IASB but not yet endorsed and issued into effect

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparison of Information	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Income Tax Relating to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 4)

- 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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.
- Note 4: The amendments are applicable to transactions occurring after January 1, 2022, except for the recognition of deferred tax on temporary differences in lease and decommissioning obligations at January 1, 2022.

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

(1) 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 the IAS 34 Interim Financial Reporting approved and issued by the Financial Supervisory Commission (FSC). This consolidated financial report does not include all IFRSs disclosure information required by the entire annual financial report.

(2) 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.

(3) Basis of consolidation

For details of subsidiaries, shareholding ratios and scope of business, please refer to Note 11 and the attached Table 6.

(4) Other significant accounting policies

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

1. The defined Contribution Retirement Benefit Plans

The pension cost during the interim period is calculated based on the pension cost rate determined by actuarial calculations on the end of the previous year, and calculated based on the beginning of the year to the end of the current period, and the major market fluctuations in the current period, the major plan amendments and the settlement or other major one-time matters will be properly adjusted

2. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The income tax in the interim period is assessed on an annual basis, and calculated based on the interim pre-tax benefits based on the tax rate applicable to the expected annual total surplus.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

6. CASH AND CASH EQUIVALENTS

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Cash on hand and petty cash	\$ 479	\$ 437	\$ 384
Demand deposits	<u>602,670</u>	<u>552,329</u>	<u>435,224</u>
	<u>\$ 603,149</u>	<u>\$ 552,766</u>	<u>\$ 435,608</u>

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

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Demand deposits	0.001%~0.2%	0.001%~0.3%	0.005%~0.2%

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

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Domestic investments			
Listed shares	\$ 26,011	\$ 27,297	\$ 40,439
Unlisted shares	<u>6,698</u>	<u>6,698</u>	<u>6,698</u>
Subtotal	<u>32,709</u>	<u>33,995</u>	<u>47,137</u>
Foreign investments			
Unlisted shares	<u>54,724</u>	<u>52,917</u>	<u>103,858</u>
	<u>\$ 87,433</u>	<u>\$ 86,912</u>	<u>\$ 150,995</u>

These investments in equity instruments are held for medium to long-term strategic purposes, and expect to make profits through long-term investment. Accordingly, the management elected to designate these investments in equity instruments as at Fair Value Through Other Comprehensive Income (FVTOCI) as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the 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.

The Group holds 1.42% of the ordinary shares of Global Graphene Group, whose main operating activity is the research and development of graphene-related products and technologies. Assessed by the management of the Group, the commercialization progress of Global Graphene Group's graphene technology was delayed and its profitability failed to improve. In 2021, it recognized the unrealized evaluation loss of financial assets measured at FVTOCI of \$49,307,000.

8. FINANCIAL ASSETS AT AMORTITIZED COST

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
<u>Current</u>			
Time deposits with original maturities of more than 3 months	\$ 11,450	\$ 11,072	\$ 11,414
Restricted demand deposits	<u>222,400</u>	<u>222,400</u>	<u>222,400</u>
	<u>\$ 233,850</u>	<u>\$ 233,472</u>	<u>\$ 233,814</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.06%~0.41%, 0.06%~0.28% and 0.6%~0.7% per annum as of 2022.3.31, 2021.12.31 and 2021.3.1., 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>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
<u>Notes receivable</u>			
Notes receivable - operating	<u>\$ 57,340</u>	<u>\$ 56,633</u>	<u>\$ 51,390</u>
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	\$ 1,679,471	\$ 1,511,022	\$ 923,370
Less: Allowance for impairment loss	<u>(6,200)</u>	<u>(6,200)</u>	<u>(571)</u>
	<u>\$ 1,673,271</u>	<u>\$ 1,504,822</u>	<u>\$ 922,799</u>

The average credit period of sales of goods was 30 to 120 days. In order to effectively reduce credit risks, the management of the 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 (expected credit losses). The expected credit losses on accounts receivable are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The Group writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has declared bankruptcy and 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:

2022.3.31

	<u>Not Past Due</u>	<u>1~90 Days</u>	<u>91~180 Days</u>	<u>181~365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
ECLs Rate	-	-	-	50%	100%	-
Gross Carrying Amount	\$1,667,957	\$ 5,260	\$ 54	\$ 5,710	\$ 490	\$1,679,471
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,710)</u>	<u>(490)</u>	<u>(6,200)</u>
Amortized cost	<u>\$1,667,957</u>	<u>\$ 5,260</u>	<u>\$ 54</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,673,271</u>

2021.12.31

	<u>Not Past Due</u>	<u>1~90 Days</u>	<u>91~180 Days</u>	<u>181~365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
ECLs Rate	-	-	-	50%	100%	-
Gross Carrying Amount	\$ 1,494,329	\$ 10,447	\$ 46	\$ 5,710	\$ 490	\$ 1,511,022
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,710)</u>	<u>(490)</u>	<u>(6,200)</u>
Amortized cost	<u>\$ 1,494,329</u>	<u>\$ 10,447</u>	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,504,822</u>

2021.3.31

	<u>Not Past Due</u>	<u>1~90 Days</u>	<u>91~180 Days</u>	<u>181~365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
ECLs Rate	-	-	-	50%	100%	-
Gross Carrying Amount	\$ 919,711	\$ 3,088	\$ -	\$ -	\$ 571	\$ 923,370
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(571)</u>	<u>(571)</u>
Amortized cost	<u>\$ 919,711</u>	<u>\$ 3,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 922,799</u>

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

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1 and March 31	<u>\$ 6,200</u>	<u>\$ 571</u>

10. INVENTORIES

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Merchandise	\$ 8,703	\$ 13,851	\$ 6,508
Finished goods	255,527	208,272	99,234
Work in progress	11,820	11,032	11,360
Semi-finished goods	1,580	1,988	1,164
Raw materials	441,767	26,541	237,860
Supplies	<u>38,065</u>	<u>458,141</u>	<u>22,101</u>
	<u>\$ 757,462</u>	<u>\$ 719,825</u>	<u>\$ 378,227</u>

The costs of inventories recognized as cost of goods sold (including construction cost) for the three months ended March 31, 2022 and 2021 were \$1,133,164 and \$757,006 thousand, respectively.

The costs of goods sold included inventory write-downs reserved \$3,660 thousand and inventory write-ups \$1,166 thousand for the three months ended March 31, 2022 and 2021, respectively.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

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

<u>Investor</u>	<u>Investee</u>	<u>Nature of Activities</u>	<u>Proportion of Ownership (%)</u>			<u>Refer to</u>
			<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>	
San Fu Chemical Co., Ltd.	San Fu Specialty Chemicals Investments Limited	Investment	100%	100%	100%	Note 4
	San Fu Food Additives Investments Limited	Investment	-	-	100%	Notes 1 and 4
	VinaSanFu Industrial Gas Company Limited	Production of industrial gases	100%	100%	100%	Note 4
	VinaSanFu Material Company Limited	Production of industrial materials	100%	100%	100%	"
	San Fu Biotech Co., Ltd.	Sales and production of food additives	93%	93%	100%	Notes 3 and 4
	International Nitto Technology Co., Ltd.	Sales and production of electronic components	100%	100%	100%	Note 4
	Lifu Carbonate Co., Ltd.	Production of chemical materials	87%	87%	25%	Notes 2 and 4
San Fu Specialty Chemicals Investments Limited	Sino Star Holding Limited	Investment	100%	100%	100%	Notes 4
VinaSanFu Material Company Limited	VinaSanFu Material Trading Co., Ltd	Production of chemical materials	100%	-	-	Notes 4 and 5

Note 1: This subsidiary was liquidated and dissolved in May 2021.

Note 2: On May 5, 2021, the board of directors of the company resolved to acquire 62% of the equity of Lifu Carbonate Co., Ltd. originally held by Li Fong Carbon Dioxide Co., Ltd., and the merged company has completed the relevant transactions in the second quarter of 2021. . Since May 10, 2021, the company's shareholding ratio in Lifu Carbonate Co., Ltd. has increased from 25% to 87%. Therefore, the investment related enterprises that were originally evaluated by the equity method were converted into subsidiaries and recognized as a disciplinary action. The investment interest is \$22,797,000.

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

Note 4: This subsidiary is a non-significant subsidiary whose financial statements have not been reviewed by accountants.

Note 5: This subsidiary was established in March 2022.

Among the above-mentioned consolidated financial statements preparation entities, except for the company's consolidated financial statements which have been reviewed by accountants, the standalone financial statements of other subsidiaries that are not individually material have not been reviewed by

accountants. Its total assets for the three months ended March 31, 2022 and 2021 were \$2,184,108 thousand and \$1,152,457 thousand respectively, amounted to 31% and 23% of the total consolidated assets, respectively. The total liabilities were \$256,310 thousand and \$199,601 thousand, respectively, which amounted to 9 and 15% of the consolidated total liabilities, respectively. For the three months ended March 31, 2022 and 2021, the total recognized comprehensive profit and loss was \$19,604 thousand and \$15,340 thousand, respectively, which amounted to 5% and 16% of the total consolidated comprehensive profit and loss, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Investments in associates	\$ 52,367	\$ 51,488	\$ 58,394
Investments in joint ventures	<u>447,145</u>	<u>404,839</u>	<u>353,058</u>
	<u>\$ 499,512</u>	<u>\$ 456,327</u>	<u>\$ 411,452</u>

The shares of total consolidated comprehensive income for the investments in associates and joint ventures recognized for the three months ended March 31, 2022 and 2021 were NT\$42,196 thousand and NT\$6,114 thousand, respectively.

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.

(1) Investments in associates

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Associates that are not individually material	<u>\$ 52,367</u>	<u>\$ 51,488</u>	<u>\$ 58,394</u>

(2) Investments in joint ventures

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Material joint ventures			
Sanfuming Electronic Material Co., Ltd.	<u>\$ 447,145</u>	<u>\$ 404,839</u>	<u>\$ 353,058</u>

For the business nature of the above-mentioned joint venture, the main business place and the country information of the company registration, please refer to the attached Tables 6 and 7 "Intercompany Relationships and Significant Intercompany Transactions", and "Information on Investees" respectively and the attached table "Information on Investments in Mainland China".

13. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Transportation</u>	<u>Other Equipment</u>	<u>Property under Construction</u>	<u>Total</u>
<u>Cost</u>							
Balance at January 1, 2022	\$ 162,700	\$ 1,145,606	\$ 2,162,086	\$ 352,833	\$ 417,323	\$ 639,282	\$ 4,879,830
Reclassifications	-	800	62,153	391	370	(4,809)	58,905
Additions	-	2,461	6,227	6,161	15,016	156,560	186,425
Disposals	-	(2,479)	(178,897)	(598)	(1,619)	-	(183,593)
Effect of foreign currency exchange differences	-	2,054	3,571	75	-	16,006	21,706
Carrying amounts at March 31, 2022	<u>\$ 162,700</u>	<u>\$ 1,148,442</u>	<u>\$ 2,055,140</u>	<u>\$ 358,862</u>	<u>\$ 431,090</u>	<u>\$ 807,039</u>	<u>\$ 4,963,273</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2022	\$ -	\$ 464,568	\$ 1,523,076	\$ 304,921	\$ 309,166	\$ -	\$ 2,601,731
Depreciation expenses	-	14,150	35,047	4,497	12,334	-	66,028

Disposals	-	(2,479)	(178,897)	(598)	(1,619)	-	(183,593)
Carrying amounts at 2022.3.31	<u>-</u>	<u>31</u>	<u>54</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>90</u>
	<u>\$ -</u>	<u>\$ 476,270</u>	<u>\$ 1,379,280</u>	<u>\$ 308,825</u>	<u>\$ 319,881</u>	<u>\$ -</u>	<u>\$ 2,484,256</u>
Carrying amounts at 2022.3.31	<u>\$ 162,700</u>	<u>\$ 672,172</u>	<u>\$ 675,860</u>	<u>\$ 50,037</u>	<u>\$ 111,209</u>	<u>\$ 807,039</u>	<u>\$ 2,479,017</u>
Carrying amounts at 2021.12.31 and 2022.1.1.	<u>\$ 162,700</u>	<u>\$ 681,038</u>	<u>\$ 639,010</u>	<u>\$ 47,912</u>	<u>\$ 108,157</u>	<u>\$ 639,282</u>	<u>\$ 2,278,099</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Transport- ation</u>	<u>Other Equipment</u>	<u>Property under Construc- tion</u>	<u>Total</u>
Balance at January 1, 2021	\$ 63,707	\$ 1,069,711	\$ 1,970,226	\$ 348,403	\$ 373,247	\$ 332,099	\$ 4,157,393
Reclassifications	-	-	26,080	-	340	(383)	26,037
Additions	-	1,015	11,305	432	7,589	30,466	50,807
Disposals	-	-	(38)	-	(258)	-	(296)
Effect of foreign currency exchange differences	-	1	-	-	-	2,566	2,567
Balance at March 31, 2021	<u>\$ 63,707</u>	<u>\$ 1,070,727</u>	<u>\$ 2,007,573</u>	<u>\$ 348,835</u>	<u>\$ 380,918</u>	<u>\$ 364,748</u>	<u>\$ 4,236,508</u>

Accumulated depreciation and
impairment

Balance at January 1, 2021	\$ -	\$ 408,606	\$ 1,420,700	\$ 286,058	\$ 265,419	\$ -	\$ 2,380,783
Depreciation expenses	-	14,258	34,212	4,715	10,581	-	63,766
Disposals	-	-	(38)	-	(258)	-	(296)
Balance at 2021.3.31	<u>\$ -</u>	<u>\$ 422,864</u>	<u>\$ 1,454,874</u>	<u>\$ 290,773</u>	<u>\$ 275,742</u>	<u>\$ -</u>	<u>\$ 2,444,253</u>
Carrying amounts at 2021.3.31	<u>\$ 63,707</u>	<u>\$ 647,863</u>	<u>\$ 552,699</u>	<u>\$ 58,062</u>	<u>\$ 105,176</u>	<u>\$ 364,748</u>	<u>\$ 1,792,255</u>

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

Buildings	
Main building	3-45 years
Employee dormitory	25-50 years
Firefighting, air-conditioning and other systems	1-8 years
Engineering system	3-38 years
Transportation	1-7 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 30

14. LEASE ARRANGEMENTS

(1) Right-of-use assets

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
<u>Carrying amounts</u>			
Land	\$ 121,631	\$ 122,939	\$ 127,213
Buildings	4,085	6,687	6,343
Transportation equipment	<u>7,111</u>	<u>7,585</u>	<u>5,400</u>
	<u>\$ 132,827</u>	<u>\$ 137,211</u>	<u>\$ 138,956</u>
	<u>For the three months ended March 31</u>		
	<u>2022</u>		<u>2021</u>
Additions to right-of-use assets	<u>\$ 1,372</u>		<u>\$ 5,694</u>
Depreciation charge for right-of-use assets			
Land	\$ 4,346		\$ 4,202
Buildings	1,143		1,452
Transportation equipment	<u>1,013</u>		<u>585</u>
	<u>\$ 6,502</u>		<u>\$ 6,239</u>

Except for the additions and depreciation expenses listed above, there was no significant sublease or depreciation of the right-of-use assets of the Group from January 1 to March 31, 2022 and 2021.

(2) Lease liabilities

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Carrying Amounts			
Current	\$ 20,276	\$ 22,427	\$ 19,067
No n-current	<u>45,970</u>	<u>49,940</u>	<u>57,794</u>
	<u>\$ 66,246</u>	<u>\$ 72,367</u>	<u>\$ 76,861</u>

Range of discount rate for lease liabilities was as follows:

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Land	1.03%~2.5%	1.03%~2.5%	1.03%~2.5%
Buildings	1.03%	1.03%	1.03%
Transportation equipment	1.03%	1.03%	1.03%

(3) Another lease information

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases	<u>\$ 1,936</u>	<u>\$ 637</u>

	For the three months ended March 31	
	2022	2021
Expenses relating to low-value asset leases	<u>\$ 262</u>	<u>\$ 262</u>
Total cash outflow for leases	<u>(\$ 8,464)</u>	<u>(\$ 6,936)</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.

15. BORROWINGS

(1) Short-term borrowings

	2022.3.31	2021.12.31	2021.3.31
<u>Secured borrowings (Note 30)</u>			
Bank loans	\$ 280,000	\$ 280,000	\$ -
<u>Unsecured borrowings</u>			
Bank loans	<u>947,923</u>	<u>650,000</u>	<u>110,000</u>
	<u>\$ 1,227,923</u>	<u>\$ 930,000</u>	<u>\$ 110,000</u>

The range of weighted average effective interest rates on bank loans was 0.76%~1.1%, 0.78%~1.02% and 1%~1.1% per annum as of March 31, 2022, December 31, 2021 and March 31, 2021, respectively.

(2) Long-term borrowings

	2022.3.31	2021.12.31	2021.3.31
<u>Unsecured borrowings</u>			
Bank loans	\$ 105,000	\$ 194,502	\$ 227,430
Less: Current portion matured within a year	(<u>70,000</u>)	(<u>90,572</u>)	(<u>55,572</u>)
Long-term borrowings	<u>\$ 35,000</u>	<u>\$ 103,930</u>	<u>\$ 171,858</u>

The ranges of weighted average effective interest rates on bank loans were 1.425%, 1.175%~1.25% and 1.175%~1.25% per annum as of March 31, 2022 and December 31, 2021 and March 31, 2021 respectively.

16. NOTES AND ACCOUNTS PAYABLE

	2022.3.31	2021.12.31	2021.3.31
Notes payable	\$ -	\$ 479	\$ 479
Accounts payable	<u>384,968</u>	<u>501,601</u>	<u>264,159</u>
	<u>\$ 384,968</u>	<u>\$ 502,080</u>	<u>\$ 264,638</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.

17. OTHER PAYABLES

	2022.3.31	2021.12.31	2021.3.31
Other payables	\$ 302,066	\$ 301,200	\$ 148,656
Dividend payable	302,118	-	201,412
Payable for constructions	28,353	16,935	9,333
Payable for purchases of equipment	<u>22,006</u>	<u>22,851</u>	<u>19,885</u>
	<u>\$ 654,543</u>	<u>\$ 340,986</u>	<u>\$ 379,286</u>

18. RETIREMENT BENEFIT PLANS

The pension expenses related to the defined contribution and benefit plans recognized from January 1 to March 31 in 2022 and 2021 are calculated based on the pension cost rate determined by actuarial calculation on December 31, 2021 and 2020, and the Amount was NT\$188 thousand and NT\$345 thousand respectively.

19. EQUITY

(1) Share capital

Ordinary shares

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Number of shares authorized (in thousands)	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
Shares authorized	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>
Number of shares issued and fully paid (in thousands)	<u>100,706</u>	<u>100,706</u>	<u>100,706</u>
Shares issued	<u>\$ 1,007,060</u>	<u>\$ 1,007,060</u>	<u>\$ 1,007,060</u>

(2) Capital surplus

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>			
<u>(1)</u>			
Issuance of ordinary shares	\$ 870,611	\$ 870,611	\$ 971,317
Donations (Note 29)	37,043	34,043	34,143
<u>May be used to offset a deficit only</u>			
Exercised employee share options (2)	54,804	54,804	54,804
Expired employee share options (2)	2,151	2,151	2,151
Recognition of changes in ownership interests in subsidiaries (3)	(<u>859</u>)	(<u>859</u>)	-
	<u>\$ 963,750</u>	<u>\$ 960,750</u>	<u>\$ 1,062,415</u>

1. Capital surplus in excess of par value 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.
2. The capital surplus resulting from exercised or expired employee share options shall only be used to offset a deficit.
3. This type of capital surplus is the amount of equity transaction impact recognized due to changes in the company's equity when the company has not actually acquired or disposed of equity in a subsidiary, or the adjusted amount recognized by the company using the equity method to recognize the capital surplus of the subsidiary.

(3) . 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 (5).

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

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

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

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

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

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

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

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

	For the Year Ended December 31, 2021
Legal reserve	<u>\$ 67,034</u>
Special reserve	<u>\$ 21,446</u>
Cash dividends	<u>\$ 201,412</u>
Cash dividends per share (NT\$)	<u>\$ 2.0</u>

The proposal for 2021 surplus distribution is to be resolved at the general meeting of shareholders expected to be held on June 17, 2022.

The company's board of directors has decided at its meeting on May 6, 2022 not to appropriate the quarterly earnings from January 1 to March 31, 2022.

(4) Special reserve

	For the three months ended March 31	
	2022	2021
Balance at March 31	<u>\$ 103,348</u>	<u>\$ 56,293</u>

(5) Special reserve

	For the three months ended March 31	
	2022	2021
Balance at January 1		\$ 31,886
Net Profit		<u>912</u>
Balance at March 31		<u>\$ 32,798</u>

20. REVENUE

	For the three months ended March 31	
	2022	2021
Revenue from sale of goods	\$ 1,613,518	\$ 963,500
Construction contract revenue	<u>39,094</u>	<u>6,294</u>
	<u>\$ 1,652,612</u>	<u>\$ 969,794</u>

Contract Balances

	2022.3.31	2021.12.31	2021.3.31
Contract assets			
Properties construction - current	\$ 10,659	\$ 8,200	\$ 8,845
Properties construction - non-current	<u>-</u>	<u>-</u>	<u>3,906</u>
	<u>\$ 10,659</u>	<u>\$ 8,200</u>	<u>\$ 12,751</u>
Contract liabilities			
Properties construction - current	\$ 168,591	\$ 182,441	\$ 154,401
Sale of goods- current	<u>10,159</u>	<u>20,790</u>	<u>5,759</u>
	<u>\$ 178,750</u>	<u>\$ 203,231</u>	<u>\$ 160,160</u>

21. NET PROFIT

(1) Other income

	For the three months ended March 31	
	2022	2021
Rendering of services	\$ 4,286	\$ 4,229
Subsidy income	-	3,500
Others	<u>4,527</u>	<u>3,022</u>
	<u>\$ 8,813</u>	<u>\$ 10,751</u>

(2) Other gains and losses

	For the three months ended March 31	
	2022	2021
Net foreign exchange increase (losses)	\$ 13,772	(\$ 293)
Others	<u>(24)</u>	<u>-</u>
	<u>\$ 13,748</u>	<u>(\$ 293)</u>

(3) Depreciation

	For the three months ended March 31	
	2022	2021
Properties, plants and equipment	\$ 66,028	\$ 63,766
Right-of-use assets	<u>6,502</u>	<u>6,239</u>
	<u>\$ 72,530</u>	<u>\$ 70,005</u>

Analysis of depreciation by function

Operating costs	\$ 64,253	\$ 63,487
Operating expenses	<u>8,277</u>	<u>6,518</u>
	<u>\$ 72,530</u>	<u>\$ 70,005</u>

(4) Employee benefits expense

	For the three months ended March 31	
	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 3,286	\$ 2,901
Defined benefit plans (Note 18)	188	345
Short-term benefits		
Salaries	119,363	80,238
Labor and health insurance	7,780	6,882
Others	<u>23,823</u>	<u>12,238</u>
Total employee benefits expense	<u>\$ 154,440</u>	<u>\$ 102,604</u>
Analysis of employee benefits expense by function		
Operating costs	\$ 68,108	\$ 52,390
Operating expenses	<u>86,332</u>	<u>50,214</u>
	<u>\$ 154,440</u>	<u>\$ 102,604</u>

(5) 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 three-month ended March 31, 2022 and 2021, which were approved by the Company's board of directors, respectively, are as follows:

Estimated Ratio

	For the three months ended March 31	
	2022	2021
Employees' compensation	2.01%	2.01%
Remuneration of directors and supervisors	2.01%	2.01%

Amount

	For the three months ended March 31	
	2022	2021
Employees' compensation	<u>\$8,450</u>	<u>\$2,630</u>
Remuneration of directors and supervisors	<u>\$8,450</u>	<u>\$2,630</u>

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

The Company held board of directors' meetings on February 25, 2022 and February 26, 2021, and those meetings resulted in the actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2021 and 2020 are as respectively follows:

	For the Year Ended December 31	
	2021	2020
	Cash	Cash
Employees' compensation	\$ 16,588	\$ 10,547
Remuneration of directors and supervisors	16,588	10,547

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

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

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

(6) Finance costs

	For the three months ended March 31	
	2022	2021
Interest on bank loans	\$ 2,812	\$ 1,683
Interest on lease liabilities	<u>236</u>	<u>286</u>
	<u>\$ 3,048</u>	<u>\$ 1,969</u>

(7) Gains or losses on foreign currency exchange

	For the three months ended March 31	
	2022	2021
Foreign exchange gains	\$ 15,942	\$ 7,370
Foreign exchange losses	(<u>2,170</u>)	(<u>7,663</u>)
Net losses	<u>\$ 13,772</u>	<u>(\$ 293)</u>

22. INCOME TAXES

(1) Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the three months ended March 31	
	2022	2021
Current tax		
In respect of the current period	\$ 76,543	\$ 25,329
Adjustments for prior periods	<u>984</u>	<u>630</u>
	<u>77,527</u>	<u>25,959</u>
Deferred tax		
In respect of the current period	<u>1,831</u>	<u>1,048</u>
Adjustments for prior periods	<u>\$ 79,358</u>	<u>\$ 27,007</u>

(2) Income tax assessments

Income tax returns of the Company, San Fu Biotech Co., Ltd. and International Nitto Technology Company Limited through 2020, and income tax returns of Lifu Carbonate Co., Ltd. through 2019 have been assessed by the tax authorities.

23. **EARNINGS PER SHARE**

	Unit: NT\$ Per Share	
	For the three months ended March 31	
	2022	2021
Basic earnings per share		
Basic earnings per share	\$ 3.24	\$ 1.00
Diluted earnings per share		
Diluted earnings per share	\$ 3.24	\$ 1.00

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

	For the three months ended March 31	
	2022	2021
Net Profit Attributable to Owners of the Company for the Year	\$ 326,709	\$ 100,785

Number of Shares

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

	Unit: NT\$ Per Share	
	For the three months ended March 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	100,706	100,706
Effect of potentially dilutive ordinary shares		
Employees' compensation	115	144
Weighted average number of ordinary shares used in the computation of diluted earnings per share	100,821	100,850

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.

24. **Merger**

- (1) Acquisition of a subsidiary

	<u>Main Operation</u>	<u>Acquisition Date</u>	<u>Ownership Interest with Voting Rights/ Acquisition Ratio (%)</u>	<u>Transfer of Consideration</u>
Lifu Carbonate Co., Ltd.	Carbon dioxide manufacturing plant	May 10, 2021	62%	\$ 70,060

This acquisition is mainly to add the company's customer service base and run the business of carbon dioxide, which will bring performance growth, increase profits and create more value for the company.

- (2) Assets acquired and liabilities assumed on acquisition date

Lifu Carbonate Co.,

	<u>Ltd.</u>
Current assets	
Cash and Contract equivalents	\$ 13,283
Others	59
Non-current assets	
Property, plant and equipment	112,426
Others	17
Current Liabilities	
Others	(323)
Non -current Liabilities	
Deferred tax liabilities	(<u>8,474</u>)
	<u>\$ 116,988</u>

(3) Non-controlling interests

The non-controlling interest (13% of all ownership interests) of Lifu Carbonate Co., Ltd. is measured by the fair value of identifiable net assets of \$116,988,000 at the acquisition-date.

(4) Low-priced purchase benefits arising from the acquisition of Lifu Carbonate Co., Ltd.

	<u>Lifu Carbonate Co., Ltd.</u>
Transfer of consideration	\$ 70,060
Add: The previously held interest in Lifu Carbonate Co., Ltd. is measured at fair value (Note)	31,348
Add: Non-controlling interests	15,208
Subtract: Fair value of identifiable net assets acquired	(<u>116,988</u>)
Low-priced purchase benefits arising from acquisitions	(<u>\$ 372</u>)

The low-priced purchase benefit arising from the acquisition of Lifu Carbonate Co., Ltd. is the difference between the transfer of consideration and the fair value of the identifiable net assets acquired by the acquisition, and this low-priced purchase benefit is recognized as the current profit and loss.

Note: This fair value is estimated using the income method with the following main assumptions used to determine the fair value as follows:

1. The discount rate is 7.2%;
2. Long-term sustained growth rate is from 4.2% to 5.5%; and
3. Adjustments are made according to the factors considered by market participants (including the lack of market liquidity of the stock, etc.)

(5) Net cash outflow obtained from the subsidiary

	<u>Lifu Carbonate Co., Ltd.</u>
Consideration paid in cash	(\$ 70,060)
Subtract: Balance of obtained cash and cash consideration	<u>13,283</u>
	(<u>\$ 56,777</u>)

25. Equity transactions with non-controlling interests

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

	<u>San Fu Biotech</u>
Consideration received in cash	\$ 15,000
The amount to be transferred out of the non-controlling interests for the carrying amount of the subsidiary's net assets calculated based on the change in relative equity and Equity transaction difference	(<u>15,859</u>) (<u>\$ 859</u>)
<u>Adjustment on equity transaction difference</u>	
Capital Surplus - Recognition of changes in ownership equity of the subsidiary	(<u>\$ 859</u>)

26. **NON-CASH TRANSACTION**

For the three months ended March 31, 2022 and 2021, the Group carried out 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 for the three-month ended March 31, 2022 and 2021 are as follows (please refer to Notes 13 and 17):

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Prepayments for equipment transferred (reclassification)	\$ <u>58,905</u>	\$ <u>26,037</u>
Purchase property, plant and equipment	\$ 186,425	\$ 50,807
Increase in payments for equipment and constructions	(<u>10,573</u>)	(<u>1,090</u>)
Paid in cash by acquiring property, plant and equipment	\$ <u>175,852</u>	\$ <u>49,717</u>

27. **CAPITAL RISK 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 based on 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**

- (1) 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 reliably estimated.

(2) Fair value of financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>March 31, 2022</u>				
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 26,011	\$ -	\$ -	\$ 26,011
Domestic unlisted shares	-	-	6,698	6,698
Foreign unlisted shares	-	-	<u>54,724</u>	<u>54,724</u>
Total	<u>\$ 26,011</u>	<u>\$ -</u>	<u>\$ 61,422</u>	<u>\$ 87,433</u>
<u>December 31, 2021</u>				
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 27,297	\$ -	\$ -	\$ 27,297
Domestic unlisted shares	-	-	6,698	6,698
Foreign unlisted shares	-	-	<u>52,917</u>	<u>52,917</u>
Total	<u>\$ 27,297</u>	<u>\$ -</u>	<u>\$ 59,615</u>	<u>\$ 86,912</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>March 31, 2021</u>				
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 40,439	\$ -	\$ -	\$ 40,439
Domestic unlisted shares	-	-	6,698	6,698
Foreign unlisted shares	-	-	<u>103,858</u>	<u>103,858</u>
Total	<u>\$ 40,439</u>	<u>\$ -</u>	<u>\$ 110,556</u>	<u>\$ 150,995</u>

There were no transfers of financial assets at FVTOCI between Level 2 for the three months ended March 31, 2022 and 2021.

2. Financial instruments applied for Level 3 adjustment at FVTOCI

	<u>Financial Assets at FVTOCI</u>	
	<u>Through Other Comprehensive Income</u>	
	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets-Equity instrument</u>		
Beginning balance	\$ 59,615	\$ 110,451
Foreign exchange difference	<u>1,807</u>	<u>105</u>
Ending balance	<u>\$ 61,422</u>	<u>\$ 110,556</u>

3. Valuation techniques and assumptions used in fair value measurement

- (1) 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.
- (2) Valuation techniques and inputs applied for Level 3 fair value measurement

A. 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>2022.3.31</u>	<u>2021.3.31</u>
Discount for lack of marketability	25%	25%
Non-controlling interests discount	20%	20%

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

	<u>2022.3.31</u>	<u>2021.3.31</u>
Discount for lack of marketability		
1% decrease	\$69	\$86
Non-controlling interests discount		
1% decrease	\$65	\$81

B. 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.

(3) Categories of financial instruments

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
<u>Financial assets</u>			
Financial assets at amortized cost (Note 1)	\$ 2,576,047	\$ 2,367,320	\$ 1,659,642
Financial assets at FVTOCI	87,433	86,912	150,995
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (Note 2)	2,375,222	1,971,338	984,006

Note1 The balances include loans and receivables at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost - current, account and notes receivables, and receivables from related parties.

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

(4) 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 is periodically reviewed to reflect changes to the market and the operations. Through the internal controls, such as training and setting up managing requirements and procedures, the 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 (1) below), interest rates (see (2) below), and another price risk (see (3) below).

(1) 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.

	Unit: Thousand NT\$	
	Currency USD Impact	
	For the three months ended March 31	
	2022	2021
Profit or loss	<u>\$14,587</u>	<u>\$ 11,120</u>

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

(2) 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 2022 and 2021 are \$ 3,048 thousand and \$1,969 thousand respectively, which only constitute 0.2% 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:

	Unit: Thousand NT\$		
	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Fair value interest rate risk			
Financial liabilities	\$1,246,246	\$ 967,367	\$ 106,861
Cash flow interest rate risk			
Financial liabilities	152,923	229,502	307,430

Sensitivity analysis

The sensitivity analyses were determined based on 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 period. 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 three months ended March 31, 2022 and 2021 would decrease/decrease by \$19 thousand and \$38 thousand, respectively.

(3) Other price risks

The Group is exposed to price risk due to equity securities investment 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 three months ended March 31, 2022 and 2021 would have increased/decreased by \$4,372 thousand and \$7,550 thousand respectively, because of the changes in fair value of financial assets at FVTOCI.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the 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. The policy adopted by the Group is to trade with reputable objects only, and continue to supervise the credit risk insurance and the credit rating of the counterparty

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 March 31, 2022, December 31, 2021 and March 31, 2021 the Group had available unutilized short-term bank loan facilities \$1,120,743 thousand, \$746,415 thousand and \$1,323,985 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 based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

March 31, 2022

	<u>On</u> <u>Demand or</u> <u>Less than</u> <u>1 Month</u>	<u>1-3 Months</u>	<u>3 Months to</u> <u>1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>
Lease liabilities	\$ 2,051	\$ 4,102	\$ 14,919	\$ 26,872	\$ 20,893
Variable interest rate liabilities	20,000	17,500	80,423	35,000	-
Fixed interest rate liabilities	<u>590,000</u>	<u>440,000</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
	<u>\$612,051</u>	<u>\$461,602</u>	<u>\$245,342</u>	<u>\$ 61,872</u>	<u>\$ 20,893</u>

Additional information about the maturity analysis for lease liabilities

	<u>Less than 1</u> <u>Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>
Lease liabilities	\$ 21,072	\$ 26,872	\$ 20,893

December 31, 2021

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

Additional information about the maturity analysis for lease liabilities

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

March 31, 2021

	<u>On</u> <u>Demand or</u> <u>Less than</u> <u>1 Month</u>	<u>1-3 Months</u>	<u>3 Months to</u> <u>1 Year</u>	<u>1-5 Years</u>	<u>5+ Years</u>
Lease liabilities	\$ 2,012	\$ 3,954	\$ 13,956	\$ 35,128	\$ 25,072
Variable interest rate liabilities	15,000	70,143	50,429	171,858	-
Fixed interest rate liabilities	30,000	-	-	-	-
	<u>\$ 47,012</u>	<u>\$ 74,097</u>	<u>\$ 64,385</u>	<u>\$206,986</u>	<u>\$ 25,072</u>

Additional information about the maturity analysis for lease liabilities

	<u>Less than 1</u> <u>Year</u>	<u>1-5 Years</u>	<u>5-10 Years</u>
Lease liabilities	\$ 19,922	\$ 35,128	\$ 25,072

29. TRANSACTIONS WITH RELATED PARTIES

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

(1) 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
Lifu Carbonate Co., Ltd.	Associates (Acquired as a subsidiary since May 10, 2021)

Hongchong Enterprise Co., Ltd.	Associates
China Fangda (International) Investment Development Corporation	Associates
Sanfuming Electronic Material Co., Ltd.	Joint venture
Fulu Cultural Foundation	Others

(2) Sales of goods

	For the three months ended March 31	
	<u>2022</u>	<u>2021</u>
<u>Sales</u>		
Joint ventures	<u>\$159</u>	<u>\$ 2,261</u>
<u>Purchase</u>		
	\$ 2,224	\$2,526
Associates	<u>-</u>	<u>82</u>
Joint ventures	<u>\$ 2,224</u>	<u>\$ 2,608</u>
<u>Service revenue</u> (recognized as other income)		
Joint ventures		
Sanfuming Electronic Material Co., Ltd.	<u>\$ 1,586</u>	<u>\$ 1,529</u>
<u>Service expense</u> (recognized as other expense)		
Investors with significant influence over the Group	<u>\$ 286</u>	<u>\$ 286</u>
Donation expense		
Other related parties		
Fulu Cultural Foundation	<u>\$ 1000</u>	<u>\$ -</u>

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

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
<u>Accounts receivable - related party</u>			
Joint ventures	\$ 159	\$ 15,935	\$ 2,261
<u>Other receivables - related party</u>			
Investors with significant influence over the Group	3,000	-	6,224
Joint ventures	<u>5,278</u>	<u>3,692</u>	<u>7,546</u>
	<u>\$ 8,437</u>	<u>\$ 19,627</u>	<u>\$ 16,031</u>
<u>Accounts payable - related party</u>			
Investors with significant influence over the Group	\$ 453	\$ 300	\$ -
Associates	<u>\$ 2,335</u>	<u>\$ 3,470</u>	<u>\$ 2,652</u>
	<u>\$ 2,788</u>	<u>\$ 3,770</u>	<u>\$ 2,652</u>

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

(3) Lease arrangements

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Lease liabilities	Investors with significant influence			
	Sanfu Global Co., Ltd.	\$ 41,089	\$ 43,159	\$ 44,075
	Others	<u>514</u>	<u>1,019</u>	<u>1,777</u>
		<u>\$ 41,603</u>	<u>\$ 44,178</u>	<u>\$ 45,852</u>

<u>Related Party Category/Name</u>	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Interest expense</u>		
Investors with significant influence over the Group		
Sanfu Global Co., Ltd.	\$ 109	\$ 116
Others	<u>2</u>	<u>5</u>
	<u>\$ 111</u>	<u>\$ 121</u>

(4) 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 \$3,000 thousand and \$6,224 thousand for the three-month ended March 31, 2022 and 2021, respectively, and the revenue was credited in capital surplus-donations.

(5). Compensation of key management personnel

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 8,878	\$ 10,943
Post-employment benefits	<u>378</u>	<u>371</u>
	<u>\$ 9,256</u>	<u>\$ 11,314</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:

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Pledged deposits (classified as financial assets at amortized cost)	\$ 222,400	\$ 222,400	\$ 222,400
Land	40,349	40,349	40,349
Buildings, net	<u>44,540</u>	<u>45,443</u>	<u>48,151</u>
	<u>\$ 307,289</u>	<u>\$ 308,192</u>	<u>\$ 310,900</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:

March 31, 2022

Unit: Thousands of New Taiwan Dollars and Others

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 12,618	28.575 (USD: NTD)	\$ 360,559
JPY	\$ 547,223	0.233 (USD: JPY)	\$ 127,667
Non-monetary items			
Investments accounted for using the equity method			
CNY	15,621	0.158 (CNY: USD)	447,145
VND	30,970,040	0.0012 (VND: NTD)	38,248
<u>Financial liabilities</u>			
Monetary items			
USD	2,400	28.675 (USD: NTD)	68,820
JPY	172,055	0.237 (JPY: NTD)	40,829

December 31, 2021

Unit: Thousands of New Taiwan Dollars and Others

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 13,099	27.630 (USD: NTD)	\$ 361,925
JPY	656,637	0.239 (JPY:NTD)	156,608
Non-monetary items			
Investments in associates and joint ventures using the equity method			
CNY	93,249	0.157 (CNY: USD)	404,839
VND	30,943,933	0.0012 (VND: NTD)	36,978
<u>Financial liabilities</u>			
Monetary items			
USD	1,706	27.730 (USD: NTD)	47,307
JPY	149,248	0.243 (JPY: NTD)	36,193

March 31, 2021

Unit: Thousands of New Taiwan Dollars and Others

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 10,454	28.485 (USD: NTD)	\$ 297,782
Non-monetary items			
Investments in associates and joint ventures using the equity method			
CNY	12,373	0.152 (CNY: USD)	353,058
VND	31,830,357	0.0011 (VND: NTD)	335,650
<u>Financial liabilities</u>			
Monetary items			
USD	2,637	28.585 (USD: NTD)	75,379

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

For the three months ended March 31				
2022		2021		
<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Losses</u>
USD	28.575 (USD: NTD)	(\$ 8,708)	28.485 (USD: NTD)	(\$ 4,248)
JPY	0.233 (USD: NTD)	(\$ 2629)		

32. SEPARATELY DISCLOSED ITEMS

(1). Information about significant transactions and investees (2.):

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)

(2) Information on investees (Table 6)

(3) 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):

(1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period

(2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period

(3) The amount of property transactions and the amount of the resultant gains or losses

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes

(5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds

(6) 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

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

32. SEGMENT INFORMATION

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

- Fine chemicals
- Basic chemicals

(1). Segment revenue and results

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

	<u>Fine Chemicals</u>	<u>Basic Chemicals</u>	<u>Write Off by Segment</u>	<u>Total</u>
<u>For the three months ended March 31, 2022</u>				
Revenue of general customers	\$1,264,822	\$ 387,790	\$ -	\$1,652,612
Revenue of segment	-	23,854	(23,854)	-
Total	<u>\$1,264,822</u>	<u>\$ 411,644</u>	<u>(\$ 23,854)</u>	<u>\$1,652,612</u>
Profit from operations	<u>\$ 360,266</u>	<u>\$ 827</u>	<u>\$ -</u>	\$ 361,093
Other income				8,813
Other gain and losses				13,748
Financial cost				(3,048)
Investments using equity method				26,099
Interest income				274
Income before income tax				<u>\$ 406,979</u>

**For the three months
ended March 31, 2021**

Revenue of general customers	\$ 660,576	\$ 309,218	\$ -	\$ 969,794
Revenue of segment	-	15,133	(15,133)	-
Total	<u>\$ 660,576</u>	<u>\$ 324,351</u>	<u>(\$ 15,133)</u>	<u>\$ 969,794</u>
Profit from operations	<u>\$ 112,401</u>	<u>(\$ 962)</u>	<u>\$ -</u>	\$ 111,439
Other income				10,751
Other gain and losses				(293)
Financial cost				(1,969)
Investments using equity method				7,738
Interest income				126
Income before income tax				<u>\$ 127,792</u>

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 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.

(2). Segment total assets and liabilities

<u>Segment assets</u>	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Continuing operations			
Fine chemicals	\$ 4,347,538	\$ 4,430,791	\$ 2,819,492
Basic chemicals	1,931,895	1,368,074	1,419,150
Investment	820,795	776,711	796,261
Consolidated total assets	<u>\$ 7,100,228</u>	<u>\$ 6,575,576</u>	<u>\$ 5,034,903</u>

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
QUARTERLY REPORT (Q1) FOR THE PERIOD ENDED MARCH 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

TABLE 1

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature of Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)	Note
													Item	Value			
0	Sanfu Chemical Corporation	San Fu Biotech Co., Ltd.	Other receivables	Y	\$ 250,000	\$ 250,000	\$ -	-	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 421,310	\$ 1,685,240	(Note 3)
0	Sanfu Chemical Corporation	International Nitto Technology Co., Ltd.	Other receivables	Y	250,000	250,000	-	-	The need for short-term financing	-	Operating capital	-	-	-	421,310	1,685,240	(Note 3)
0	Sanfu Chemical Corporation	VinaSanFu Industrial Gas Company Limited	Other receivables	Y	300,000	300,000	103,050 (USD 3,600,thousand) (Note 4)	-	The need for short-term financing	-	Operating capital	-	-	-	421,310	1,685,240	(Note 3)
0	Sanfu Chemical Corporation	VinaSanFu Material Company Limited	Other receivables	Y	300,000	300,000	4,580 (USD 160 thousand) (Note 4)	-	The need for short-term financing	-	Operating capital	-	-	-	421,310	1,685,240	(Note 3)

Note 1: The items are numbered as follows:

- (1) Issuer is numbered as "0".
- (2) Investee companies are numbered from "1".

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

1. The maximum amount of financing provided by the Company shall not exceed 40% of the Company's net worth.
2. The maximum amounts of financing provided by the Company and its subsidiaries are as follows:
 - (1) The maximum amount of financing provided to all businesses shall not exceed 10% of the Company's net worth. The maximum amount of financing provided to an individual shall not exceed 10% of the Company's net worth, and the gross transaction amount (the higher of purchase amount or sales amount between the two parties) for the past year.
 - (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 have been eliminated when preparing the consolidated financial statements.

Note 4: The calculation is based on the exchange rate USD\$1=NT\$28.625 on March 31, 2022.

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GURANTEES PROVIDED
QUARTERLY REPORT (Q1) FOR THE PERIOD ENDED MARCH 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

TABLE 2

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	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.	\$ 421,310	\$ 250,000	\$ 250,000	\$ 140,000	\$ -	5.93%	\$ 1,685,240	Y	N	N	
0	Sanfu Chemical Corporation	VinaSanFu Industrial Gas Company Limited	A subsidiary in which the Parent Company holds directly and indirectly over 90% of an equity interest.	421,310	300,000	300,000	-	-	7.12%	1,685,240	Y	N	N	
0	Sanfu Chemical Corporation	VinaSanFu Material Company Limited	A subsidiary in which the Parent Company holds directly and indirectly over 90% of an equity interest.	421,310	300,000	300,000	171,750	-	7.12%	1,685,240	Y	N	N	

Note 1: The items are numbered as follows:

1. Issuer is numbered as "0".
2. Investee companies are numbered from "1".

Note 2: The maximum guaranteed amount provided to others:

1. The maximum guaranteed amount provided by the Company shall not exceed 40% of the Company's net worth.
2. The maximum guaranteed amount provided to all subsidiaries does not exceed 10% of the Company's net worth. The maximum guaranteed amount provided to an individual shall not exceed 10% of the Company's net worth.

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

QUARTERLY REPORT (Q1) FOR THE PERIOD ENDED MARCH 31, 2022

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

TABLE 3

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	As of March 31, 2022				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	642,060	\$ 6,698	3.45%	\$ 6,698	Note (2)
	Savior Lifetec Corporation	-	Financial assets at fair value through other comprehensive income	1,429,177	26,011	0.45%	26,011	
	Global Graphene Group	-	Financial assets at fair value through other comprehensive income	18,490	-	1.42%	-	
Sino Star Holding Limited	Hubei Xingfu Electronic Material Co., Ltd.	-	Financial assets at fair value through other comprehensive income	-	54,724	2.40%	54,724	

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 March 31, 2022.

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

**CUMULATIVE PURCHASE OR SALE OF THE SAME SECURITIES AMOUNTING TO NT\$300 MILLION OR MORE THAN 20% OF THE PAID-IN CAPITAL
 QUARTERLY REPORT (Q1) FOR THE PERIOD ENDED MARCH 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

TABLE 4

Buying/Selling Company	Type and Name of Securities	Financial Statement Account	Object of Transaction	Relationship	Beginning of the Period		Buy In		Adjustment (Note 1)	Sell Out				End of the Period	
					No. of Shares	Amount	No. of Shares	Amount		No. of Shares	Selling Price	Carrying Cost	Profit and Loss	No. of Shares	Amount
San Fu Chemical Co., Ltd.	International Nitto Technology Co., Ltd	Investment using the equity method	Cash Capital Increase	Subsidiary	40,000,000	\$383,192	25,000,000	\$250,000	(\$5,077)	-	\$ -	\$ -	\$ -	-	\$ 628,115

Note 1: Including the share of profit and loss of subsidiaries recognized using the equity method and shareholders' adjustments.

Note 2: The above item has been written off in the preparation of the consolidated financial statements.

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 QUARTERLY REPORT (Q1) FOR THE PERIOD ENDED MARCH 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

TABLE 5

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	Sanfu Chemical Corporation	San Fu Biotech Co., Ltd.	1	Accounts receivable - parties, net	\$ 8,369	90 days of the month	0.12%
				Other receivables - parties, net	4,813	According to the contract	0.07%
				Sales revenue	7,970	90 days of the month	0.48%
				Accounts payable - parties, net	3,986	90 days of the month	0.06%
				Purchase	3,269	90 days of the month	0.20%
		Lifu Carbonate Co., Ltd.	1	Accounts payable - parties, net	10,000	90 days of the month	0.14%
				Purchase	12,615	90 days of the month	0.76%

Note 1: "1" represents the transactions between the parent company and subsidiaries.

Note 2: When the consolidated financial statements are prepared, they were all written off.

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES QUARTERLY REPORT (Q1) FOR THE PERIOD ENDED MARCH 31, 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

TABLE 6

Investor Company	Investee Company (Note 2)	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2022	December 31, 2021	Number of Shares (Thousands)	%	Carrying Amount			
San Fu Chemical Corporation	San Fu Specialty Chemicals Investments Limited	Samoa	Investment activities	USD 2,351 thousand	USD 2,351 thousand	2,350,840	100%	\$ 534,928	\$ 26,302	\$ 26,302	Note 1
	VinaSanFu Industrial Gas Company Limited	Vietnam	Engaged in industrial gas production	13,650 thousand	13,650 thousand	-	100%	357,495	(8,339)	(8,339)	"
	VinaSanFu Material Company Limited	Vietnam	Engaged in the production of chemical materials	12,200 thousand	12,200 thousand	-	100%	318,616	(4,469)	(4,469)	"
	San Fu Biotech Co., Ltd.	Taiwan	Engaged in the manufacture and sale of food additives	210,000	210,000	21,500,000	93%	265,000	14,816	13,850	Notes 1, 4
	International Nitto Technology Co., Ltd	Taiwan	Engaged in electronic component manufacturing business	727,904	477,904	65,000,000	100%	628,115	(5,078)	(5,078)	Note 1
	Hongchong Enterprise Co., Ltd.	Taiwan	Liquid oxygen, oxygen, liquid nitrogen and other gas trading business	10,527	10,527	1,200,000	50%	14,119	(782)	(391)	
	Lifu Carbonate Co., Ltd.	Taiwan	Engaged in carbon dioxide gas, carbonic acid fire extinguisher, dry ice manufacturing and its sales and marketing	77,253	77,253	1,740	87%	95,764	(204)	(178)	Note 3
	Shian Yun Joint Stock Company	Vietnam	Engaged in industrial gas production	1,232 thousand	1,232 thousand	2,659,974	33.33%	38,248	844	281	
San Fu Specialty Chemicals Investments Limited	Sanfuming Electronic Material Co., Ltd.	Shanghai, China	Engaged in the operation of international trade business	2,151 thousand	2,151 thousand	-	50%	447,145	52,417	26,209	
	Sino Star Holding Limited	Samoa	Investment activities	1,868 thousand	1,868 thousand	1,867,838	100%	55,715	-	-	Note 1
VinaSanFu Material Company Limited	VinaSanfu Material Trading Co., Ltd	Vietnam	Engaged in chemical materials production	160 thousand	160 thousand	-	100%	4,464			Notes 1, 5

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

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

Note 3: Lifu Carbonate Co., Ltd. was included in the consolidated financial statement preparation since the acquisition date on May 10, 2021.

Note 4: The company did not subscribe for the cash capital increase of Sanfu Biotech Co., Ltd. according to the shareholding ratio on December 20, 2011., and the shareholding ratio dropped from 100% to 93.48%.

Note 5: VinaSanfu Material Trading Co., Ltd. was included in the consolidated financial statement preparation since March 2022

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
QUARTERLY REPORT (Q1) FOR THE PERIOD ENDED MARCH 31, 2022
In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

TABLE 7

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2022 (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of March 31, 2022 (Note 1)	Accumulated Repatriation of Investment Income as of March 31, 2022
					Outward	Inward						
Sanfuming Electronic Material Co., Ltd.	Engaged in the operation of international trade business	\$ 257,625 (US\$ 9,000 thousand) (Notes 1 and 4)	Through the third company reinvest in mainland companies	\$ 18,635 (US\$ 651 thousand)	\$-	\$-	\$ 18,635 (US\$ 651 thousand)	\$ 52,417	50	\$ 26,209	\$ 447,145 (US\$ 15,621 thousand)	\$ -
Hubei Xingfu Electronic Materials Co., Ltd.	Engaged in production and sales of chemical materials	2,334,800 (CNY 520,000 thousand) (Note 2)	Through the third company reinvest in mainland companies	US\$ 53,414 (US\$ 1,866 thousand)	-	-	53,414 (US\$ 1,866 thousand)	196,317	2.4	-	54,724 (US\$ 1,912 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2021	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$166,998 (US\$ 5,834 thousand) (Notes 5 and 6)	\$273,626 (US\$9,559 thousand)	\$2,547,540

Note 1: The exchange rate was USD\$1=NT\$28.625 on March 31, 2022.

Note 2: The exchange rate was RMB\$1=NT\$4.49 on March 31, 2022.

Note 3: The average exchange rate was USD\$1=NT\$27.994 in the first quarter (Q1) from January 1, 2022 to March 31, 2022.

Note 4: In April 2022, 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.

SAN FU CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS QUARTERLY REPORT (Q1) FOR THE PERIOD ENDED MARCH 31, 2022

TABLE 8

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

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

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