

Common Stock Code: 4707

Pan Asia Chemical Corporation

2021 Annual report

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Inquiry of annual reports available at:

**Market Observation Post System of the GreTai Securities Market at
<http://mops.twse.com.tw>**

The Company's website: www.pacc.com.tw

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One. A Message to the Shareholders

I. The 202 Business result

(I) Business plan execution and achievement

Unit: NTD thousand

Items	Individual
Operating revenue	1,727,577
Gross profit	193,591
Net Operating Income	70,146
Non-operating revenues (expenditures)	277,272
Income tax benefit (expense)	(4,440)
Net income	342,978

(II) Budget implementation situation

In the company's budget for the year 2021, the Company was not required to announce financial forecasts according to law.

(III) Analysis in financial revenues and expenditures and profitability

Unit: NTD thousand

Items			2021	2020
Revenue and expenses	Operating revenue		1,727,577	1,457,681
	Gross profit		193,591	145,525
	Net (loss) profit after tax		342,978	247,931
Profitability analysis	Return on assets (%)		4.22	3.42
	Return on shareholders' equity (%)		5.99	4.86
	As a percentage of paid-up capital (%)	Operating profit	2.14	1.38
		Income before taxation	10.59	8.48
	Net profit rate (%)		19.85	17.01
	Earnings per share (NTD)		1.05	0.76 (Note)

Note: The impact of bonus share grant having been adjusted retrospectively

(IV) Research and development

1. Development of POY/SDY spinning oil agent
2. Development of esterified nonionic surfactants
3. Development of anionic and cationic surfactants
4. Development of nonionic surfactants for special products
5. Development of esterified products and surfactants for cosmetics and personal cleansing products
6. Development of esterified products for a variety of purposes

II. Summary of business plan 2022

(I) Operation strategies

1. Focus on core businesses, improve quality and enhance customer service.
2. Improve operational performance, integrate resources, study value-added products and improve competitiveness in the market.
3. Strengthen organizational operations, promote labor-management coordination and improve advantages for the Company's sustainability.

(II) Sales Volume Forecast and Supporting Basis

EOD plant makes petrochemical EOD, esterification plant transforms them into new products,

- and the total expected sales is about 39,000 tons.
- (III) Important production and marketing policy
1. Retain old customers, explore potential customers to co-develop new products and expand sales volume.
 2. Esterification plant continues to develop and transform to develop products and markets which offer better return to improve the overall efficiency.
 3. Continue to develop the market for spinning oil agents.
 4. Coordinate the bargaining of purchase price of raw materials to reduce cost.
- (IV) Development strategy of the Company in the future
1. EOD plant continues to promote value-added products.
 2. Strengthen long-term collaboration with foreign customers to retain partners and expand sales channels to increase product sales.
 3. Maintain the domestic market share. Increase the sales of specialized products and indirectly cultivate customers' export market. Co-develop products with downstream customers.
 4. Vertical industry development. Continue to develop markets for esterification products, spinning oil agents and cleaning agents to improve revenue and standards and image of the industry and technologies.
- (V) Subject to competition of external environment.
- Faced with the continuing expansion of production capacity by both the foreign and domestic competitors, we will continue to develop new products and maintain quality to remain competitive and offer product diversification.
- (VI) Impact of regulatory environment and overall business environment.
- The domestic product control policies on NP/NPEDO affect the Company's domestic sales of NPEOD. Attempt the development of NPEOD substitutes to maintain customer relationship and increase the development and sales of other new products to maintain a balance between production and sales.
- Applying the terms of ECFA, the tariff on Taiwan's export of nonionic surfactants is reduced to 0% (excluding PEG solid products), and China re-opened the foreign import of NP and NPE in early 2018, further increasing the Company's export to China and continuing the co-development of specialized products with customers to compensate for the lack of sales.

Chairman: Kuei-Hsien Wang

Two. Company Profile

I. Date of establishment: April 1982

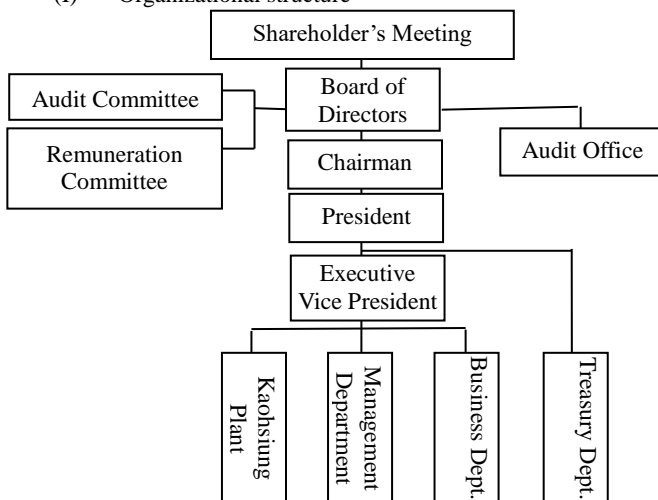
II. Company History

- 1982 Joint venture of China Man-Made Fiber, Japan's Asia Corp. and the Bank of Communications invested in Pan Asia Oil & Chemical Corporation, with a total capital of NT\$100 million.
 - 1984 Completed the construction of the ethylene oxide derivatives (EOD) facility in Dashe Industrial Park, and completed the trial testing.
 - 1985 Established an in-house brand, Pannox, and completed license registration with the Bureau of Standards, Metrology and Inspection under the Ministry of Economic Affairs.
 - 1987 After the Bank of Communications completed the counseling program, the equity was transferred.
 - 1990 Japan Asia Group EOD transferred its equity.
 - 1991 The company name was changed to Pan Asia Oil & Chemical Corporation. Cash capital increase of NT\$530 million. The total paid-in capital became NT\$630 million.
 - 1992 Completed the plant expansion. The production capacity was increased to 52,000 tons and DCS automatic computerized control was adopted.
 - 1993 Established Research and Development Section to be committed to developing new products.
 - 1996 Obtained the ISO 9002 international quality certification.
 - 1997 Applied for OTC trading with the Taipei Exchange.
 - 1998 The Company was officially listed on the OTC for trading on May 20.
 - 2002 Obtained ISO 9001:2000 international quality certification (NO.4850-1996-AQ-RGC-RvA) through DNV of the Netherlands.
 - 2010 Completed the establishment of an esterification plant with an annual production capacity of 10,000 metric tons
 - 2010 Expanded the EOD plant with the production capacity increased to 100,000 tons.
 - 2012 The product Pannox 73 passed the carbon footprint inspection.
 - 2017 Completed the establishment of the TOSHMS / CNS 15506 Taiwan Occupational Safety and Health Management System.
 - 2021 Completed the verification of the CNS 45001 /ISO 45001 Taiwan Occupational Safety and Health Management System.
- ※ Mergers and acquisitions and reorganization of the Company: Not applicable.
 - ※ Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, or the changes in ownership: Not applicable.
 - ※ Significant change in the mode of operations or business content: None
 - ※ Major events affecting the rights and privileges of the shareholders and the effect on the Company: None.
 - ※ Affiliates through re-investment: Taichung Commercial Bank, Taichung Securities Investment Trust.

Three. Corporate Governance

I. Organizational structure

(I) Organizational structure



(II) The responsibilities of various divisions

Department	Duties in charge
Management Department	In charge of such duties linked up with personnel, procurement, construction & refurbishment, stock affairs, property management, documents, information and general affairs.
Business Dept.	In charge of such duties linked up with preparation of production and sales plans, promotion of domestic and overseas sales of products, market survey, storage and transportation, and the like.
Treasury Dept.	In charge of such duties linked up with fund scheduling, cashier budget preparation, accounting management, cost calculation, and the like.
Kaohsiung Plant	In charge of such duties linked up with design of manufacturing and production engineering, maintenance and improvement of equipment, product research and development, inspection, quality control, technical training and all other factory related tasks.
Audit Office	In charge of such duties linked up with audit over the various operations of the departments concerned of the Company, assistance in the various departments to carry out their work smoothly and checking their implementation and promoting work efficiency.
Audit Committee	A functional committee established under the board of directors. Every member has different specialization, and the independence of the Committee helps the board in governing the Company and strengthening the occupational competence of the board.
Remuneration Committee	Assisting the board of directors in the in-depth review and offering recommendations on specific salary compensation.

II. Background information of Directors, Supervisors, President, Vice Presidents, Assistant Managers, and the heads of various departments and branches

(I) Directors and supervisors

1. Information of directors and supervisors

February 28, 2022

Title	Nationality or place of registration	Name or Legal Persons	Gender/age	Date elected	Duration	Inauguration date	Shares at Election		Current shareholding		Current Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience	Current duties in The Company and in other companies	Other department heads, directors and supervisors in the relationship as spouse or blood relatives within the second degree of kinship			Remark
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Affiliation	
Institutional Director	Taiwan R.O.C.	Sheng Jen Knitted Textiles Co., Ltd.	N/A	2020.6.2	3 years	2002.06.21	17,771,061	6.20%	20,342,088	6.20%	0	0	0	0	Director of China Man-Made Fiber Corporation	N/A	N/A	N/A	N/A	N/A
Institutional Director	Taiwan R.O.C.	Chung Chien Investment Co., Ltd.	N/A	2020.6.2	3 years	2020.6.15	14,683,893	5.12%	16,808,285	5.12%	0	0	0	0	Director of China Man-Made Fiber Corporation	Director of China Man-Made Fiber Corporation	N/A	N/A	N/A	N/A
Chairman	Taiwan R.O.C.	China Man-Made Fiber Investment Co. Ltd. Representative Kuei-Hsien Wang	Male 51-60 years old	2020.6.2	3 years	2019.7.12	0	0	0	0	0	0	0	0	Chairman of Taichung Securities Investment Trust and CMFC, vice chairman of Taichung Commercial Bank. Department of Finance at Boston University and Department of Finance at New York University.	Chairman of China Man-Made Fiber Corporation, Chou Chin Industrial Co., Ltd.; Jeou Chang Co., Ltd.; Tai-I Investment Co., Ltd.; Da Fa Investment Co., Ltd.; Pan Ya Investment Co., Ltd.; Formosa Imperial Wineseller Corporation and director of Nan Chung Petrochemical Corporation.	Director	Kuei-Fong Wang	Brothers	N/A

Title	Nationality or place of registration	Name or Legal Persons	Gender/age	Date elected	Duration	Inauguration date	Shares at Election		Current shareholding		Current Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience	Current duties in The Company and in other companies	Other department heads, directors and supervisors in the relationship as spouse or blood relatives within the second degree of kinship			Remark
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Affiliation	
Director	Taiwan R.O.C.	Shen-Ren Knitting Factory Co., Ltd. Representative Kuei-Hsien Wang	Male 51-60 years old	2020.6.2	3 years	2010.3.22	0	0	0	0	0	0	0	0	Chairman of CMFC, director of Taichung Commercial Bank, chairman of PACC, VP, Corporate Financing Dept., BNP Paribas Hong Kong; MBA of NYU	Chairman of Taichung Commercial Bank, director of PACC, Chou Chin Industrial Co., Ltd., Pan Asia Investment, Tai Yi Investment, Dah-Fa Investment and supervisor of Shu Tian Investment.	Chairman	Kuei-Hsien Wang	Brothers	N/A
Independent director	Taiwan R.O.C.	Lung-Teng Chen	Male 71-80 years old	2020.6.2	3 years	2020.6.2	0	0	0	0	0	0	0	0	Assistant President of Taiwan Cooperative Financial Holding Co., Ltd.; assistant president of Cosmos Bank, Taiwan; Master of Graduate School of Finance, Tamkang University.	Committee member of the Company's Remuneration Committee.	N/A	N/A	N/A	N/A
Independent director	Taiwan R.O.C.	Kuo-Fu Hsiao	Male 71-80 years old	2020.6.2	3 years	2020.6.2	0	0	0	0	0	0	0	0	Head of Secretariat, Central Bank; Dept. of Economics, Chinese Culture University.	Committee member of the Company's Remuneration Committee.	N/A	N/A	N/A	N/A
Independent director	Taiwan R.O.C.	Kuo-Ming Chang	Male 51-60 years old	2020.6.2	3 years	2020.6.2	0	0	0	0	0	0	0	0	Manager of Taichung Bank, Manager of Cosmos Bank; Dept. of Cooperative Economics; National Chung Hsing University.	Committee member of the Company's Remuneration Committee.	N/A	N/A	N/A	N/A

Title	Nationality or place of registration	Name or Legal Persons	Gender/age	Date elected	Duration	Inauguration date	Shares at Election		Current shareholding		Current Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience	Current duties in The Company and in other companies	Other department heads, directors and supervisors in the relationship as spouse or blood relatives within the second degree of kinship			Remark
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Affiliation	
Director	Taiwan R.O.C.	China Man-Made Fiber Investment Co Ltd. Representative Jeh-Yi Wang	Male 41-50 years old	2020.6.2	3 years	2016.12.22	0	0	1,118	0.00%	0	0	0	0	Director of China Man-Made Fiber Corporation; Department of Business Administration; Fu Jen Catholic University.	The Company's General Manager; Vice General Manager of Business operation Dept., China Man-Made Fiber Corporation; Nan Chung Petrochemical Corporation; Supervisor of De Xing Investment Co., Ltd.	N/A	N/A	N/A	N/A
Director	Taiwan R.O.C.	Shen-Ren Knitting Factory Co., Ltd. Representative Hung-Yang W	Male 51-60 years old	2020.6.2	3 years	2019.11.19	0	0	0	0	0	0	0	0	Assistant VP of CHINA MAN-MADE FIBER CORPORATION ; Department of Agricultural Machinery Engineering at National Chung Hsing University	Director of China Man-Made Fiber Corporation, Nan Chung Petrochemical Corporation, Formosa Imperial Wineseller Corporation, De Xing Investment Co., Ltd.; vice president of China Man-Made Fiber Corporation.	N/A	N/A	N/A	N/A

Remarks: Where the chairperson of the board of directors and the general manager or person of an equivalent post of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto in the remarks column: NA

Major shareholders of legal person directors and supervisors

February 28, 2022

Corporate shareholder Name	Major shareholder of corporate shareholder and shareholding Ratio of Shareholding thereof
Sheng Jen Knitted Textiles Co., Ltd.	Chung Chien Investment Co., Ltd. (53.47%), Yu Hui Limited (40.40%), Chao-Chang Wang (5.57%), Kuei-Hsien Wang (0.3%), Shang-Jr Chiang (0.15%), Shi-Yi Chiang (0.10%).
Chung Chien Investment Co., Ltd.	Ta Fa Investment Co., Ltd. (28.08%); Pan Asia Investment Co., Ltd. (17.67%); Tung Hao Enterprises Corp. (15.64%); Chin-Yuan Huang (14.72%); Yu Hui Limited (10.52%); Hsu Tian Investment Co., Ltd. (9.57%); Kuei-Hsien Wang (1.75%); Kuei-Fong Wang (1.55%); Sheng Jen Knitted Textiles Co., Ltd. (0.44%); Tsai-Lien Cheng (0.06%).

Note: Top ten shareholders by shareholding ratios and their shareholding ratios.

Major Shareholders of Major Corporate Shareholder:

February 28, 2022

Corporate shareholder Name	Major shareholder of corporate shareholder and shareholding Ratio of Shareholding thereof
Yu Hwei Technology Co., LTD.	Kuei-Hsien Wang (99.99%), Chia-Ying Chen (0.01%)
Da Fa Investment Company	Yu Hui Limited (42.93%), Pan Asia Investment Co., Ltd. (33.59%), Tsung Hao Enterprise Co., Ltd. (22.73%), Kuei-Hsien Wang (0.75%).
Pan Asia Chemical Corporation	China Man-Made Fiber Co., Ltd. (44.40%), Sheng Jen Knitted Textiles Co., Ltd. (6.20%), Chung Chien Investment Co., Ltd. (5.12%), Yu Hui Limited (1.75%), Sheng-Lu Lin (0.93%), HSBC entrusted with Morgan Stanley International Limited accounts (0.61%), Pan Asia Employee Welfare Committee (0.60%), the Credit Suisse Group Investment Account under custody of Department of Business, Standard Chartered Bank (Taiwan) Limited (0.36%), Liu Cheng-Yi (0.23%), and Chao-Ju Chen (0.23%).
General Pride Enterprise Co., Ltd.	Yu Hui Limited (44.44%), Chung Chien Investment Co., Ltd. (31.46%), Pan Asia Investment Co., Ltd. (17.30%), Chao-Chang Wang (5.16%), Kuei-Hsien Wang (1.12%), Ku-Yeh Wang (0.51%)
Hsu Tian Investment Co., Ltd.	Chia-Chun Chiang (50%), Kuei-Fong Wang (50%).

Note: Top ten shareholders by shareholding ratios and their shareholding ratios.

2. Information of directors and supervisors

(1) Disclosure of information on the professional qualifications of directors and supervisors and the independence of independent directors:

Name \ Condition	Professional qualification and experience	Independence	Number of public companies where the person holds the title as independent director
Chairman, Kuei-Hsien Wang	Has been the Chairman of the parent company and the Company for many years, is good at leadership and decision-making, business judgment, business management, crisis management, petrochemical knowledge, and risk management, with an international market perspective. Does not meet any descriptions stated in Article 30 of the Company Act.	Not applicable	None
Director, Kuei-Fong Wang	Specialized in business and finance and is good at business judgment, business management, crisis management, and financial analysis, with an international market perspective. Does not meet any descriptions stated in Article 30 of the Company Act.	Not applicable	None
Director, Jeh-Yi Wang	Is the Executive Vice President of the business department of the parent company, with petrochemical knowledge and risk management capabilities. Does not meet any descriptions stated in Article 30 of the Company Act.	Not applicable	None
Director, Hung-Yang Wu	Is the Assistant Vice President of the general affairs department of the parent company, with petrochemical knowledge and procurement capabilities. Does not meet any descriptions stated in Article 30 of the Company Act.	Not applicable	None
Independent director, Lung-Teng Chen	Has work experience in the banking industry and is good at financial management and crisis management with risk control knowledge and capabilities. Is the convener of the Audit Committee with an academic background in accounting. Does not meet any descriptions stated in Article 30 of the Company Act.	<ol style="list-style-type: none"> 1. Is not, and spouse and relatives within the second degree of kinship thereof are not serving as directors, supervisors, or employees of the Company or its affiliates; 2. Does not, and spouse and relatives within the second degree of kinship thereof (or by nominee arrangement) do not hold the Company's shares. 3. Is not serving as a director, supervisor, or employee of a company with specific relations with the company. 4. Did not receive remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliates in the last two years. 	None
Independent director, Kuo-Fu Hsiao	Possesses work experience in the Central Bank and is good at crisis management with risk management knowledge and capabilities; is a member of the Audit Committee. Does not meet any descriptions stated in Article 30 of the Company Act.		None
Independent director, Kuo-Ming Chang	Possesses experience in the banking industry, is good at accounting analysis with risk management knowledge and capabilities with an academic background in accounting; is a member of the Audit Committee. Does not meet any descriptions stated in Article 30 of the Company Act.		None

(2) Board diversity and independence of the board members

A. Board diversity:

The current term of the board of directors of the company consists of seven

directors, including three non-managing directors, three independent directors, and one managing director (who also serves as the President). The members have extensive experience and expertise in the fields of finance, business, and management. The board diversity policy is that we give priority to professional experience and practical experience for the composition of the board. The familiarity with petrochemical industry and other relevant industries and understanding of the Company's culture are the main indicators for talent selection. As there are fewer female directors due to the demand for talents in the downstream sectors of the petrochemical industry, female directors will be included in the target in the future to increase the gender diversity of the board.

B. Board independence

The Company has three independent directors, accounting for 40% of the total. Except for Chairman, Kuei-Hsien Wang, and director, Kuei-Fong Wang, who are relatives within the second degree of kinship, none of the other five directors are spouses or relatives within the second degree of kinship to each other under Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act.

(II) Background information of the President, Vice Presidents, Assistant Vice Presidents and heads of various departments and branches

February 28, 2022

Title	Nationality	Name	Gender	Election Date	Quantity of Shares		Current Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience	Positions with other companies	Other Chief, Supervisors or Directors with a Spousal or Other Immediate Relative			Remark
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Affiliation	
President	Taiwan R.O.C.	Jeh-Yi Wang	Male	2017.5.8	1,118	0.00%	0	0	0	0	Director of China Man-Made Fiber Corporation Department of Business Administration, Fu Jen Catholic University	Vice General Manager of Business Dept., China Man-Made Fiber Corporation; supervisor of De Xing Investment Co., Ltd. and Nan Chung Petrochemical Corporation	N/A	N/A	N/A	N/A
Executive Vice President	Taiwan R.O.C.	Wang Tsang-Hai	Male	2004.01.01	0	0	0	0	0	0	National Taipei College of Business	N/A	N/A	N/A	N/A	N/A
Executive Vice President	Taiwan R.O.C.	Kuo-Ching Chen	Male	2010.6.20	0	0	0	0	0	0	Vice President, China Man-Made Fiber Corporation Graduate School of Chemical Engineering, National Taiwan University	Director of China Man-Made Fiber Corporation	N/A	N/A	N/A	N/A
Business Manager	Taiwan R.O.C.	Huang Yao-Li	Male	2020.8.10	0	0	0	0	0	0	The Company's manager of Business Department Dept. of Statistics, Tamkang University	N/A	N/A	N/A	N/A	N/A
Chief financial officer	Taiwan R.O.C.	Chen Shih-Yi	Female	2013.12.27	0	0	0	0	0	0	Deputy Section Chief of Department of Finance, China Man-Made Fiber Corporation Department of Business Administration, Chinese Culture University	N/A	N/A	N/A	N/A	N/A
Chief accountant	Taiwan R.O.C.	Wen Yu-Tao	Female	2017.6.19	0	0	0	0	0	0	Manager of Department of Finance, China Man-Made Fiber Corporation Department of Business Administration, Tamkang University	N/A	N/A	N/A	N/A	N/A

Remarks: Where the chairperson of the board of directors and the general manager or person of an equivalent post of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto in the remarks column: None.

III. Remuneration paid to Directors, Supervisors, the General Manager, and the Vice President in the most recent year

1. Remuneration of directors and independent directors

Unit: NT\$ thousand/thousand shares

Title	Name	Remuneration to Directors								The sum of A, B, C, and D as a percentage of after-tax net profit (%)		Remuneration in the capacity as employees								The sum of A, B, C, D, E, F and G in proportion to Earnings (%)		Remuneration received from the invested companies other than the subsidiaries and the parent company		
		Director fees (A)		Pension (B)		Remuneration to Directors (C)		For services (D)				Salaries, bonus and special subsidies (E)		Pension (F)		Remuneration to employees (G)								
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	Cash	Stock	Cash	Stock	The Company	All companies mentioned in the financial statements			
Institutional Director	Shen-Ren Knitting Factory Co., Ltd.	0	0	0	0	528	528	0	0	528/0.154	528/0.154	0	0	0	0	0	0	0	0	0	0	528/0.154	528/0.154	0
	China Man-Made Fiber Investment Co., Ltd.	0	0	0	0	528	528	0	0	528/0.154	528/0.154	0	0	0	0	0	0	0	0	0	0	528/0.154	528/0.154	0
Director	Kuei-Hsien Wang	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,563
	Kuei-Fong Wang	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Jeh-Yi Wang	0	0	0	0	0	0	0	0	0	0	2,130	2,130	0	0	114	0	114	0	2,244/0.654	2,244/0.654	0		
	Hung-Yang Wu	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,624
Independent director	Lung-Teng Chen	360	360	0	0	0	0	80	80	440/0.128	440/0.128	0	0	0	0	0	0	0	0	0	0	440/0.128	440/0.128	0
	Kuo-Ming Chang	360	360	0	0	0	0	80	80	440/0.128	440/0.128	0	0	0	0	0	0	0	0	0	0	440/0.128	440/0.128	0
	Kuo-Fu Hsiao	360	360	0	0	0	0	80	80	440/0.128	440/0.128	0	0	0	0	0	0	0	0	0	0	440/0.128	440/0.128	0
1. Please describe the policy, systems, standards and structure of remuneration of independent directors; also, describe the relationship with the amount of remuneration according to the responsibilities, risks and invested time: Pursuant to the provisions set forth in Article 19 of the Articles of Incorporation, the Company shall appropriate 1% to 5% of its profits of the respective year as employee compensations. The board of directors shall determine the distribution ratios and methods (stocks or cash) and may appropriate a sum not exceeding 0.03 % of the aforementioned profits as director compensations. The amount of director compensations shall be adjusted in line with variations in pre-tax income. Directors therefore only received their fixed salaries, which is deemed reasonable.																								
2. Pay for services (such as non-employee consultant at the parent company, any company included in the financial statements, or investees) specified in the financial statements provided by directors in the previous year not specified above: Not applicable.																								

Remarks: Amounts under Paragraphs C and G represent the amounts proposed to be appropriated by the board of directors out of the profits earned by the Company in 2021.

2. Remuneration to the President and Vice President

Unit: NT\$ thousand/thousand shares

Unit: NT\$ thousand/million shares														
Title	Name	Salary (A)		Pension (B)		Bonuses and allowances, etc. (C)		Remuneration to the employees (D)				The sum of A, B, C, and D as a percentage of after-tax net profit (%)		Remuneration received from the invested companies other than the subsidiaries and the parent company
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company		All companies mentioned in the financial statements		The Company	All companies mentioned in the financial statements	
								Cash	Stock	Cash Amount	Stock			
President	Jeh-Yi Wang													
Executive Vice President	Wang Tsang-Hai	2,653	2,653	87	87	1,414	1,414	204	0	204	0	4,358/1,270	4,358/1,270	0
Executive Vice President	Kuo-Ching Chen													

Remark: The amounts under Paragraph B represent the amounts amortized in all cases; and amounts under Paragraph D represent the amounts proposed as remuneration to the general manager and vice general manager in 2021.

Classification of remuneration

The brackets of remunerations to all Presidents and Vice Presidents of the Company	Name of Presidents and Executive Vice Presidents	
	The Company	All companies mentioned in the financial statements
Less than 1,000,000	Wang Tsang-Hai	Wang Tsang-Hai
NTD1,000,000 – NTD2,000,000 (exclusive)	N/A	N/A
NTD2,000,000 – NTD3,500,000 (exclusive)	Jeh-Yi Wang, Kuo-Ching Chen	Jeh-Yi Wang, Kuo-Ching Chen
NTD3,500,000 – NTD5,000,000 (exclusive)	N/A	N/A
NTD5,000,000 – NTD10,000,000 (exclusive)	N/A	N/A
NTD10,000,000 – NTD15,000,000 (exclusive)	N/A	N/A
NTD15,000,000 – NTD30,000,000 (exclusive)	N/A	N/A
NTD30,000,000 – NTD50,000,000 (exclusive)	N/A	N/A
NTD50,000,000 – NTD100,000,000 (exclusive)	N/A	N/A
100,000,000 above	N/A	N/A
Total	3 persons	3 persons

3. Name of the managers received remuneration and the distribution of remuneration

Unit: thousand dollars

	Title	Name	Stock	Cash	Total	As a percentage of net profit after tax (%)
Manager	Manager Chief accountant Chief financial officer	Huang Yao-Li Wen Yu-Tao Chen Shih-Yi	0	199	199	0.058

Remark: The amount in cash represents the amount proposed for the remuneration to the manager with the profit of 2021.

4. Individual remuneration paid to each of the top five management personnel

Unit: NT\$ thousand/thousand shares

UNIT 110: Treasury Stock and Shares														
Title	Name	Salary (A)		Pension (B)		Bonuses and allowances, etc. (C)		Remuneration to the employees (D)				The sum of A, B, C, and D as a percentage of after-tax net profit (%)		Remuneration received from the invested companies other than the subsidiaries and the parent company
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company		All companies mentioned in the financial statements		The Company	All companies mentioned in the financial statements	
								Cash	Stock	Cash	Stock			
President	Jeh-Yi Wang	1,332	1,332	0	0	798	798	114	0	114	0	2,244/0.654	2,244/0.654	0
Executive Vice President	Kuo-Ching Chen	1,321	1,321	87	87	616	616	90	0	90	0	2,114/0.616	2,114/0.616	0
Plant manager	Chen Chia-Han	1,016	1,016	67	67	478	478	88	0	88	0	1,649/0.481	1,649/0.481	0
Manager	Wen Yu-Tao	937	937	59	59	201	201	76	0	76	0	1,273/0.371	1,273/0.371	0
Manager	Huang Yao-Li	911	911	54	54	150	150	61	0	61	0	1,176/0.343	1,176/0.343	0

Remarks: Amounts under Paragraph D represent the amounts as employee remuneration proposed to be appropriated by the board of directors out of the profits earned by the Company in 2021.

5. Compare and disclose remunerations paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's Directors, Supervisors, President and Vice Presidents as a percentage of after-tax net profit. Describe the remuneration policy, standards and packages, the procedures for determining remuneration, and their link to business performance.

- (1) The remuneration for the entire directors of the Company in the year 2020 totaled at NT\$1,889 thousand, accounting for 0.762% of the net profit before tax that year. The remuneration for the entire directors of the Company in the year 2021 totaled at NT\$2,376 thousand, accounting for 0.693% of the net profit before tax that year.
- (2) In 2020, the remuneration of the Company's general manager and vice general managers totaled at NT\$4,479 thousand, accounting to 1.806% of the Company's net profit after tax that year. In 2021, the remuneration of the Company's general manager and vice general managers totaled at NT\$4,358 thousand accounting to 1.270% of the Company's net profit after tax that year.
- (3) The terms regarding remuneration to directors have been expressly specified under the Company's Articles of Incorporation. The amount so granted shall be subject to pass in the shareholders' meeting. The amounts of remuneration toward the general manager and vice general manager(s) have been fixed with reference to the rates prevalent in the counterpart firms in the same industry, to be duly reviewed by the Remuneration Committee with reference to the individual performance of duty and the level of contribution to the Company before being finally resolved by the board of directors.
- (4) The operating performance of the Company will affect the appropriation of year-end bonuses for executives.
- (5) Correlation of future risk: Will affect the appropriation of bonuses for executives.

IV. Corporate governance

(I) Functionality of the Board of Directors

The Board called seven meetings in 2021. The attendance of directors is specified as follows:

Title	Name	Actual number of attendance	Attend through proxy	Attendance rate	Remark
Chairman	Kuei-Hsien Wang	7	0	100	
Director	Kuei-Fong Wang	5	2	71.43	
Director	Jeh-Yi Wang	7	0	100	
Director	Hung-Yang Wu	7	0	100	
Independent director	Lung-Teng Chen	7	0	100	The facts regarding participation in respective board of directors meetings in the year 2021 are detailed under the Table below.
Independent director	Kuo-Ming Chang	7	0	100	The facts regarding participation in respective board of directors meetings in the year 2021 are detailed under the Table below.
Independent director	Kuo-Fu Hsiao	7	0	100	The facts regarding participation in respective board of directors meetings in the year 2021 are detailed under the Table below.

Other notes:

I. For the operation of the Board of Directors in any of the following circumstances, please specify the date, term, the contents of the proposals, the opinions of all independent directors, and the process of the opinions proposed by the independent directors:

(I) The issues as enumerated under Article 14-3 of the Securities and Exchange Act are shown below. No director voiced an objection or a reserved opinion.

Resolved on January 18, 2021 (the 3rd meeting under Session 14) that Company should purchase from China Man-Made Fiber Corporation part of buildings in Dashe District, Kaohsiung and amendment to Regulations Governing Procurement & Payment Circle—Procurement Operation Internal Control System.

March 15, 2021 (The 4th meeting for the 14th term) Passed internal control for financial statement preparation process management operations, 2020 financial statements and business report, 2020 earnings distribution proposal, 2020 capitalization of earnings through issuance of new shares, amendments to the Rules of the Procedure for Board of Directors Meetings, amendments to the Rules of Procedure for Shareholders' Meetings, and appointment of the Corporate Governance Officer.

May 10, 2021 (The 5th meeting for the 14th term) Passed the revision of the internal control system for stock affairs.

November 8, 2021 (9th session of the 14th term) Passed the 2021 cash capital increase through Taichung Commercial Bank, the audit fees for the appointment of Deloitte & Touche in 2021, the amendments to the internal control for changes in fixed assets in the fixed asset cycle, and the 2022 internal audit plan.

(II) Except for the aforementioned matters, the resolutions reached by the Board of Directors with the objections or reservations of the independent directors documented or declared in writing: Not applicable.

II. With respect to the avoidance of conflicting interest agendas, describe the names of directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions:

<p>(I) During the discussion on the purchase of a building held by China Man-Made Fiber Corporation at No. 8, Jingjian Road, Kaohsiung City (Building No. 00070-000) on January 18, 2021, Chairman, Kuei-Hsien Wang, Director, Kuei-Fong Wang, Director, Jeh-Yi Wang, and Director Hung-Yang Wu recused themselves from the discussions and voting due to a conflict of interest. (I) Discussed the year-end remuneration policy for the Company's directors and managerial officers for the year 2020. Where the present motion involves Director Wang Chieh-Yi in his personal interests and, as a result, he did not participate in the discussion and resolution procedures in the present motion.</p> <p>(II) Discussion on August 13, 2021 also included the issues regarding amount of remuneration payable to the directors and the amounts of remuneration to be granted to the managerial officers and staff members in 2020. In the issues, director Wang Kuei-Hsien, Director Wang Kui-Feng, withdrew at their discretion, did not participate in the discussion and resolution procedures because the issues involved their personal interests.</p> <p>(III) Discussed on November 8, 2021 the issue of capital increase through cash injection of Taichung Commercial Bank Co., Ltd. in the year 2021 where Director Wang Kui-Feng withdrew from the discussion and resolution procedures because of involvement of his personal interests.</p>
<p>III. TWSE/TPEX Listed Companies shall disclose assessment cycles, periods, scope, methods, and contents for self or peer evaluation of the board of directors and record relevant details on attached form 2.</p> <p>IV. The objective of enhancing the occupational function of the Board of Directors in current year and the most recent year, and assessing its implementation: The Company has duly enacted the "Rules of Procedure for Meetings of Board of Directors" which expressly set out the relevant regulations for convening board meetings for the purpose of compliance with the deliberative meeting issues of the board of directors. Meanwhile, for a variety of external seminars and functional training programs, all directors and supervisors are advised to actively participate to enhance the ability of corporate governance. Besides this, all issues which should be promulgated as resolved in the board of directors shall be expressly disclosed through the Market Observation Post System (MOPS).</p>

Supplementary Notes: Details of attendance of each board meeting in 2021.

2021	3rd meeting of the 14th term	The 4th	The 5th	The 6th	The 7th	The 8th	The 9th
Lung-Teng Chen	◎	◎	◎	◎	◎	◎	◎
Kuo-Ming Chang	◎	◎	◎	◎	◎	◎	◎
Kuo-Fu Hsiao	◎	◎	◎	◎	◎	◎	◎

◎ In person ☆ Attendance by substitution * Not in attendance

(II) Interrogation of evaluation of the board of directors performance:

Evaluation cycle (Note 1)	Evaluation period (Note 2)	Evaluation scope (Note 3)	Evaluation method (Note 4)	Evaluation content (Note 5)	Scoring results
2021	2021.01.01~2021.12.31	Board of directors	The board meeting units carried out evaluations based on the actual board operation status	They are divided into five aspects, as described below: 1) Level of participation in company operations 2) Enhancement of the board decision quality	The total score is 94 points, and the evaluation results are excellent. The evaluation results show that company's

				3) Board composition and structure 4) Director election and continuing education 5) Internal control.	overall operation is quite comprehensive, which is in line with the corporate governance.
2021	2021.01.01~2021.12.31	Individual board of directors	Self-assessment by respective boards of directors.	They are divided into six aspects, as described below: 1) Firm grasp of company goals and missions 2) Clear understanding of director responsibilities 3) Level of participation in company operations 4) Management of internal relations and communication 5) Professionalism and continuing education of directors 6) Internal control.	The overall average score is 92.14, and the evaluation results are excellent. The evaluation results show that the company directors have positive evaluations of the various assessment indicators' operational efficiency and effectiveness.

Note 1: The evaluation execution cycle of the board of directors should be filled out (e.g. executed once a year).

Note 2: During the board of directors' evaluation coverage period should be filled out. For example, an evaluation on the performance of board directors was carried out from January 1, 2021 to December 31, 2021.

Note 3: The scope of performance assessment covers the board of directors, individual directors and functional committees.

Note 4: The methods of assessment include board internal self-assessment, director self-assessment, peer assessment, external institution assessment, external expert assessment, and other appropriate methods for performance assessment.

Note 5: Based on the evaluation scope, the content evaluation at least includes the following items:

- (1) Evaluation of the performance of board of directors: At least includes the degree of participation in bank operations, board decision quality, board makeup and structure, appointment of directors, continuing education, internal control, etc.
- (2) Evaluation of the performance of individual directors: At least includes the grasp of bank objectives and tasks, perception of directors' responsibilities, the degree of participation in bank operations, internal relations operation and communication, director professionalism, continuing education, internal control, etc.
- (3) Evaluation of the performance of functional committee members: the degree of participation in bank operations, perception of functional committee members' responsibilities, functional committee decision-making quality, functional committee makeup and member appointment, internal control, etc.

(II) The operation of the Auditing Committee

1. The Company's Audit Committee has three members.
2. In the year 2021, the Audit Committee convened five meetings. The independent directors attended the meeting with the following facts:

Title	Name	Actual number of attendance	Attend through proxy	Attendance rate (%)	Remarks
Independent director (Convener)	Lung-Teng Chen	5	0	100	
Independent director (Members)	Kuo-Fu Hsiao	5	0	100	
Independent director (Members)	Kuo-Ming Chang	5	0	100	

Other notes:

- I. For Audit Committee meetings that meet any of the following circumstances, specify the date, session, the content of the proposal, independent directors' objections, reservations, or major suggestions, Audit Committee' resolution results, and the Company's response to such opinions:

(I) Issues listed in Article 14-5 of the Securities and Exchange Act:

January 18, 2021 (The 3rd meeting for the 2nd term) The independent assessment report on the annual appointment of CPAs, the Company's plan to purchase some buildings from related parties, and the amendments to the Company's procurement and payment cycle – internal control measures for procurement/order placement were approved by all independent directors present as proposed.

March 15, 2021 (the 4th of the 2nd term) The audit report and defect improvement tracking report, assessment of the effectiveness of the internal control system, the 2020 financial statements and business report; Earnings Distribution Statement of the year 2020; surplus earnings transfer into capital increase to issue new shares of the year 2020, amendment to the Company's "Financial Statement Preparation Process Management Internal Control Operations," "Rules of Procedure for Meetings of Board of Directors," and "Shareholders' Meeting Procedure Rules" were approved by all independent directors present as proposed.

May 10, 2021 (The 5th of the 2nd term) The audit report; 2021 Q1 financial statements, and amendment to the Company's internal control system for the equity service affairs were approved by all independent directors present as proposed.

August 13, 2020 (The 6th of the 2nd term) The audit report and defect improvement tracking report and 2021 Q2 financial statements were approved by all independent directors present as proposed.

November 8, 2021 (The 7th of the 2nd term) The audit business report, 2021 Q3 financial statements; the 2022 internal audit operation plan, subscription of Taichung Commercial Bank Co., Ltd. cash increase plan of the year 2021; the remuneration for auditing services by certified public accountants for 2021, and amendments to the internal control operation for changes in fixed assets in the fixed asset cycle were approved by all independent directors present as proposed.

- (II) In addition to the aforementioned motions, other motions without approval by the Auditing Committee but passed by the Board with 2/3 of the Directors: Not applicable.

- II. With respect to the avoidance of conflicting interest agendas, describe the names of independent directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions: Not applicable.

III. The Annual Work Focus of the Audit Committee:

- (I) Review of financial statement and communication of key issues on audit.
- (II) The policies and procedures on internal control system and relevant policies.

- (III) Evaluation of the effectiveness of internal control system.
- (IV) Material assets or derivative transactions.
- (V) Key issues on Loaning of funds and making of endorsements/guarantees
- (VI) Appointment, discharge of remuneration for the certifying certified public accountants, evaluation on their independence and performance.
- (VII) Issuance of securities attributed to equity.
- (VIII) The appointment and dismissal of the Finance Officer, Accounting Officer, or Internal Chief Auditor.
- (IX) Law compliance and other key issues.

IV. Performance of communications by and between independent directors, internal audit head and Certified Public Accountant(s) (should include the Company's financial, business operation affairs, issued, methods and outcomes of communications among them):

Communication policy between the independent directors and the internal audit officer and CPAs:

- (I) At the at least one symposium every year, CPAs and internal audit officer shall discuss the completed internal audit and CPAs' audit opinions in the meeting and communicate the defects in the annual audit.
- (II) The Audit Committee meets at least once a quarter, and the internal audit officer regularly reports to the Audit Committee.
 - 1. Annual internal audit plan
 - 2. Regularly report to the Audit Committee on the implementation of internal audits.
 - 3. Annual internal control self-assessment report.
- (III) CPAs shall report to the independent directors on the audit results and findings of the financial statements in at least one symposium every year.
- (IV) Others: In the event of major anomalies or matters that the independent directors, the internal audit officer, CPAs and accountants deem necessary to communicate independently, meetings may be held at any time.

Within the present fiscal year, independent directors, audit supervisors and accountants communicated on key issues through meetings or seminars as enumerated below:

Date	Methods of communications	Targets in communications	Communication matters	Communicate results
2021.03.15	Symposiums	CPA Chief Internal Auditor	Explanation about financial audit report, internal audit and such communications issues for the year 2020.	Good
2021.03.15	Audit Committee	Chief Internal Auditor	Formulation of the Statement of Internal Control System	To be posed to the board of directors for resolutions.
2021.03.15	Audit Committee	Chief Internal Auditor	Report on implementation of the audit plan for Q4 2020	Acknowledged
2021.05.10	Audit Committee	Chief Internal Auditor	Report on implementation of the audit plan for Q1 2021	Acknowledged
2021.08.13	Audit Committee	Chief Internal Auditor	Report on implementation of the audit plan for Q2 2021	Acknowledged
2021.11.08	Audit Committee	Chief Internal Auditor	Report on implementation of the audit plan for Q3 2021	Acknowledged
2021.11.08	Audit Committee	Chief Internal Auditor	Preparation of audit plans for the year 2022	To be posed to the board of directors for resolutions.

(III) How The Company's actual governance differs from The Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and why

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
1. Will the Company based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" set up and disclose the Company's corporate governance best-practice principles?		V	The Company has not yet developed its own "Corporate Governance Best-Practice Principles."	If there are regulatory or necessary considerations, the provisions of the relevant laws and other regulations shall apply.
2. Shareholding structure and shareholders' equity (1) Does the Company have internal operating procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?		V	(1) The Company has a spokesperson, an acting spokesperson and full-time shareholder services personnel responsible for handling recommendations or questions from shareholders, and the official website also has an "Investor Relations" section to handle recommendations or disputes.	Adequate.
(2) Does the Company possess a list of principal shareholders and beneficial owners of these principal shareholders?	V		(2) The Company constantly monitors the shareholdings of directors, supervisors, managerial officers, or principal shareholders owning more than 10% of the shares.	Meet the requirements.
(3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	V		(3) Transaction management of interested parties, endorsement and guarantee and capital loans between the Company and its affiliates are governed by rules, and there are internal control and audit measures developed in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies, to monitor subsidiaries.	Meet the requirements.
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(4) In order to maintain the fairness in the securities trading market, the Company has established the "Procedures to Prevent Insider Trading" and the "Procedures for Handling Material Inside Information."	Meet the requirements.
3. The constitution and obligations of the board of				

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
directors				
(1) Has the Board of Directors formulated a Board diversity policy and specific management objectives and implemented them accordingly?	V		(1) The Company values diversification of the board composition, and members are generally equipped with knowledge, skills and competencies necessary to perform their duties.	Meet the requirements.
(2) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committees set up voluntarily?		V	(2) Will discuss the possibility of establishment based on the Company's actual business needs.	Insignificant difference.
(3) Has the Company had the rules governing the performance evaluation of the board of directors and evaluation methods stipulated, the performance evaluation performed annually and regularly, the results of the performance evaluations reported to the board of directors, and the evaluation result applied as a reference for individual director's remuneration and nomination for re-election?	V		(3) The company set up the Rules for Performance Evaluation of Board of Directors on March 16, 2020. Thereafter, an evaluation was carried out periodically every year. The results were submitted to the board of directors and published on March 14, 2021. The results shall serve as a reference for the board of directors or during director nomination exercised by shareholders with more than 1% shareholding.	Meet the requirements.
(4) Will the Company have the independence of the public accountant evaluated regularly?	V		(4) The Finance Department assesses the independence of certified accountants on an annual basis. The main criteria include if the accountants and their relatives hold any significant financial interests of the Company, hold key positions within the Company the most recent two years or are relatives within the second degree of those in key positions of the Company and if the accountants have received donations or gifts at a great value from the Company, and the results are reported to the board.	Meet the requirements.

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
			The Finance Department finds that the qualifications of Wen-Ya Hsu and Su-Huan Yu, of Deloitte Taiwan, meet the standards of the Company on independence and determines that they are capable of serving as the Company's certified accountants.	
4. Has the TWSE/TPEX Listed Company designated an adequate number of corporate governance personnel with appropriate qualifications and appointed a chief corporate governance officer as the most senior officer in charge of corporate governance affairs (including, but not limited to, provision of data required for the execution of relevant operations by the directors and supervisors, assistance in legal compliance by directors and supervisors, handling of matters pertaining to board meetings and shareholders' meetings pursuant to relevant laws, corporate registration and amendment registration, and preparation of minutes for board meetings and shareholders' meetings)?	V		<p>The company's departments and offices have designated representatives to handle related corporate governance matters. As resolved and passed by the board of directors on March 15, 2021, Manager Wen Yu-Tao served as the corporate governance supervisor. The supervisor had more than three years of qualification as the financial department supervisor at a publicly offered company. The main responsibilities included supervising and implementing corporate governance operations. The corporate governance related matters included:</p> <ol style="list-style-type: none"> 1. Conduct board of directors meeting and shareholders' meeting related matters by law. 2. Produce minutes of board meetings and shareholders' meetings. 3. Assist the board of directors in taking office and continuing education. 4. Provide the board of directors with information needed for implementing businesses. 5. Assist the board of directors in legal compliance. 6. Other matters set in accordance with laws and regulation, company regulations, or contracts. <p>Corporate governance operation implementation situation:</p> <ol style="list-style-type: none"> 1. Assist in board of directors meeting and 	Meet the requirements.

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
			<p>shareholders' meeting procedures and resolved legal compliance matters:</p> <p>(1) Report the corporate governance operation situations to the board of directors, independent directors, or the Audit Committee. Confirm if shareholders' meetings and board of directors' meetings convened are in line with relevant laws and norms in the Code for Corporate Governance.</p> <p>(2) Assist in and remind directors in legal compliance at the time of implementing businesses or upon official resolution by the board of directors. Suggestions shall be proposed upon board resolution of violations.</p> <p>(3) Responsible for reviewing the release of major information on important board resolutions after the meeting. This is to ensure the appropriateness and correctness of important information contents and protect the equivalence of investors' transaction information.</p> <p>2. Pursuant to the legally prescribed time limits, advance registration of the date of the shareholders' meeting, uploading of the meeting notice and handbook 30 days in advance, and provision of meeting minutes within 20 days after the meeting.</p> <p>3. Board of directors and Audit Committee related matters:</p> <p>(1) Agenda for the board and audit committee and other meeting information are</p>	

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
			<p>submitted to the directors 7 days before the meeting, and the meeting minutes are completed within 20 days after the meeting.</p> <p>(2) The meeting standards have specified terms on recusal. Directors are reminded of recusal whenever topics presented have any conflict of interests.</p> <p>(3) Compile the resolutions and statements from the proceedings of each meeting, and monitor the follow-up responsive measures taken by the relevant unit and report them.</p> <p>4. Support directors:</p> <p>(1) Continue assisting the board of directors in completing continuing education hours in accordance with the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies.”</p> <p>(2) Continue to advocate compliance with laws and regulation by the board of directors.</p> <p>(3) The current chairman, managers, and employed persons were advocated in October 2021. The confidentiality of financial businesses shall be observed according to provisions in the “Code of Business Conduct for the Board of Directors and Managers” and the “Operational Procedures for Handling of Internal Major Information.” Unauthorized and arbitrary release of information and explanations of the company’s scope of</p>	

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
			<p>internal major information, confidentiality operations, etc., are not allowed.</p> <p>5. In order to establish sound corporate governance, assist the board of directors in performing duties, and enhance the effectiveness of the board of directors, the company has set up the “Standard Operational Procedures for Handling Demands by Directors” in order to ensure the board procedures, all applicable laws and regulations, and rules are complied with and ensure sound information exchange among board members and between directors and the management department.</p> <p>Corporate Governance Officer’s continuing education: Please refer to the description of the corporate governance officer continuing education situation in this annual report. (Note 1)</p>	
5. Does the Company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), set up a section dedicated to stakeholders on the Company’s website, and respond to critical corporate social responsibility issues about which stakeholders are concerned appropriately?	V		The Company offers communication channels for various entities (including interested parties) based on different circumstances, and they can be found in the “Stakeholders” section on the Company’s website at http://www.pacc.com.tw	Meet the requirements.
6. Has the Company commissioned a professional stock service agent to handle shareholders affairs?		V	The shareholder services of the Company are handled by specialized personnel, and the services are regularly audited by both the internal and external organizations and meet all requirements.	For the purpose of saving on operating cost, outsourcing is currently not considered.
7. Disclosure of information (1) Does the Company have a website setup and the financial business and corporate governance	V		(1) The Company’s financials and disclosures are disclosed on the OTC official website in	Meet the requirements.

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
information disclosed?			accordance with the regulations, and the annual reports are also published on the Company's official website. The Company's website is www.pacc.com.tw, with available links connecting to the Market Observation Post System.	
(2) Has the Company adopted other methods of information disclosure (e.g. setting up an English website, designating a specialist responsible for gathering and disclosing Company information, setting up a spokesperson system, uploading recordings of investor conferences onto the Company website)?		V	(2) The Company has assigned personnel responsible for the collection of disclosed information and implemented the spokesperson practice.	Meet the requirements.
(3) Has the Company publicly announced and filed its annual financial reports within two months after the close of the given fiscal year? Has it publicly announced and filed the financial reports for the first, second, and third quarter and the operational status reports for each month prior to the prescribed time limit?	V		(3) Pursuant to the provisions set forth in Article 36 of the Securities and Exchange Act, annual financial reports are publicly announced and filed within three months after the close of the given fiscal year. Financial reports for the respective quarter are publicly announced and filed within 45 days after the end of the first, second, and third quarters of each fiscal year, and operational status reports for the previous month are publicly announced and filed within the first ten days of each calendar month.	In conformity with relevant laws and regulations; currently not planned due to manpower allocation considerations.
8. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk management policies and	V		Employees' rights and interests: Comply with the Labor Standards Act and establish communication channels with employees, encourage employees to directly communicate with the management, directors and supervisors, properly reflect employees' opinions on the Company's operations	Meet the requirements.

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?			<p>and financial conditions or major decisions related to employees' interests.</p> <p><u>Employee care:</u> Comply with the Labor Standards Act, respect and maintain employees' legitimate rights and interests and establish communication channels.</p> <p><u>Investor relations:</u> In operating its normal business and maximizing the shareholder interest, the Company respect and maintain investor's interests, conduct business operations with good faith, pay attention to the trading order on the securities market and have a high regard for the social responsibility of the Company.</p> <p><u>Supplier relationship:</u> Maintain a good relationship based on the principle of good faith.</p> <p><u>Rights of interested parties:</u> They can contact us through the mailbox on the official homepage or directly contact us.</p> <p><u>Continuing education of directors and supervisors:</u> Please see this annual report for details (Note 2).</p> <p><u>Implementation of risk management policies and measurement criteria:</u> The Company has established various internal management regulations in accordance with the law and conducted various risk management and assessment to effectively control the risks of the Company's operations.</p> <p><u>Implementation of customer policies:</u> In addition to regular visits to customers and convening distributor meetings, the Company conducts annual customer satisfaction surveys to understand customers' actual responses to marketing, logistics management and technical support. Customers are</p>	

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
			invited to provide their recommendations to ensure that their needs are understood and met. <u>Purchase of liability insurance for directors and supervisors</u> : The Company and its parent (China Man-Made Fiber Corporation) jointly take out professional liability insurance for directors, supervisors, and key employees and disclose relevant information on the Market Observation Post System (MOPS).	
<p>9. State of corrective action taken for responding to the results of the corporate governance assessment announced by Taiwan Stock Exchange Corporation in the Corporate Governance Center the most recent fiscal year, and the priority for improvement on issues pending further corrective action and related measures:</p> <p>1. As per the 2020 corporate governance evaluation results released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, the Company's evaluation results ranked among 21%–35% of the companies listed on TPEX. We will enhance the disclosure of the items with no point scored.</p> <p>The following improvements have been implemented based on the 7th evaluation in 2020:</p> <p>(1) The Company has disclosed in the annual report the reasons for discussion and the results of the resolutions adopted by the Remuneration Committee, as well as the Company's response to such members' opinions.</p> <p>(2) The Company's annual report has disclosed the individual remuneration of the President and Executive Vice Presidents.</p> <p>2. As of the publication date, the results of the 2021 (8th) evaluation have not yet been released. The Company prioritizes the improvement to corporate governance according to the importance and the achievable rate of the indicators with no point scored.</p>				

Note 1: The situation of continuing education of corporate governance officer:

Title	Name	Organizer	Course name	Training hours	Whether the training had complied with policies
Corporate Governance Officer	Wen Yu-Tao	Accounting Research and Development Foundation of the R.O.C.	Analysis of the Legal Responsibilities and Practical Cases of The Taxpayer Rights Protection Act Applicable to Enterprises	3	Yes
		Accounting Research and Development Foundation of the R.O.C.	The Company's Cooperation with CPAs in The Audit Work: "Consideration for Compliance" and "Work for Adopting Internal Auditors"	3	
		Accounting Research and Development Foundation of the R.O.C.	Practices for Self-Prepared Financial Reports: Accounting Estimates and Impairment of Assets	3	
		Accounting Research and Development Foundation of the R.O.C.	Auditing and Controlling Practices of Enterprise's "Cost Reduction" and "Competitive Strategy"	6	
		Accounting Research and Development Foundation of the R.O.C.	Insider Seminar for GTSM and Emerging Stock Market-Listed Companies	3	

Note 2: Continued education of directors and supervisors:

Title	Name	Organizer	Course name	Training hours	Whether the training had complied with policies
Director	Hung-Yang Wu	Securities and Futures Development Foundation	2021 Insider Trading Prevention Publicity Conference	3	Yes
		Digital Governance Association	The International Trend of Net Zero Carbon Emissions and Taiwan's Actions in Transition to Zero Carbon	3	
Director	Kuei-Fong Wang	Taiwan Academy of Banking and Finance	Fair Treatment of Customers and Ethical Management Practice and Compliance	3.5	Yes
		Taiwan Academy of Banking and Finance	Workshop on Operational Practice and Corporate Governance for Directors and Supervisors – Climate Change Risk Workshop	3	
		The Independent Director Association Taiwan	Fair Treatment of Customers Practice and Case Study	3	
		The Independent Director Association Taiwan	Digital Finance and Information Risk Management	3	
Independent director	Kuo-Fu Hsiao	Securities and Futures Development Foundation	The norms and practices of the audit committee	3	Yes
		Digital Governance Association	The Impact of Commercial Courts on the Operation of the Board Of Directors and the Performance of Duties by Directors	3	
Independent director	Lung-Teng Chen	Securities and Futures Development Foundation	The norms and practices of the audit committee	3	Yes
		Digital Governance Association	The Impact of Commercial Courts on the Operation of the Board Of Directors and the Performance of Duties by Directors	3	
Independent director	Kuo-Ming Chang	Securities and Futures Development Foundation	The norms and practices of the audit committee	3	Yes
		Digital Governance Association	The Impact of Commercial Courts on the Operation of the Board Of Directors and the Performance of Duties by Directors	3	

(IV) The operation of the Remuneration Committee:

1. Information on the members of the Remuneration Committee

February 28, 2022

By identity	Name	Condition	Professional qualification and experience	Independence	Number of public companies where the members of the Remuneration Committee are also the members of the remuneration committees of these companies
Convener (Independent director)	Lung-Teng Chen	Please see page 8 of this annual report	1. Is not, and spouse and relatives within the second degree of kinship thereof are not serving as directors, supervisors, or employees of the Company or its affiliates; 2. Does not, and spouse and relatives within the second degree of kinship thereof (or by nominee arrangement) do not hold the Company's shares. 3. Is not serving as a director, supervisor, or employee of a company with specific relations with the company. 4. Did not receive remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliates in the last two years.	None	None
Once as the Assistant President of Taiwan Cooperative Financial Holding Co., Ltd.; assistant president of Cosmos Bank, Taiwan; adjunct lecturer at Tamkang University.	Kuo-Fu Hsiao				
Members (Independent director)	Kuo-Ming Chang				
Once as the Director General of the Secretariat Department, Central Bank.					
Members (Independent director)					
Once as the Manager, Taichung Commercial Bank Co., Ltd. and KGI Bank Co., Ltd.					

2. Information on the operation of the Remuneration Committee

- (1) The Remuneration Committee of the Company consists of three persons.
- (2) The tenure of office of the current members: August 10, 2020 to June 01, 2023. During the year 2021 the Remuneration Committee convened three (3) meetings (A). The qualifications and attendance of the Remuneration Committee members are as follows:

Title	Name	Actual number of attendance (B)	Attend through proxy	Attendance rate (%) (B/A)	Remarks
Convener	Lung-Teng Chen	3	0	100	
(Members)	Kuo-Ming Chang	3	0	100	
(Members)	Kuo-Fu Hsiao	3	0	100	

Other notes:

1. The Board may not accept the recommendations of the Remuneration Committee, or revise the recommendations, specify the date of the Board meeting, the term, the content of the motion, the resolution of the Board, and the response of the Board towards the opinions of the Remuneration Committee (e.g. the remuneration package passed by the Board is superior to the recommendation of the Remuneration Committee, specify the difference and the reasons):
 - (1) January 18, 2021 Discussions on the year-end remuneration to the Company's directors and managerial officers for the year 2020 along with discussions on the salary remuneration policies the Company's directors and managerial officers for the year 2021. The issues were duly passed after being resolved in the board of directors.
 - (2) March 15, 2021 Discussions on the appointment of the Corporate Governance Officer and allocation of the remuneration to the directors and amount of remuneration to employees for the year 2020. The issues were duly passed after being resolved in the board of directors.
 - (3) August 13, 2021 Discussions on the 2021 pay raise. The issues were duly passed after being resolved in the board of directors.
2. If any of the members of the Remuneration Committee hold adverse opinion or qualified opinions with record or in written declaration against the resolutions of the committee, specify the date and the session of the committee meeting, the content of the motion, the opinions of all members and the response to the opinions of the members:
 - (1) January 18, 2021 Discussions on the year-end remuneration to the Company's directors and managerial officers for the year 2020 along with discussions on the salary remuneration policies the Company's directors and managerial officers for the year 2021. The issues were duly passed after being resolved in the board of directors.
 - (2) March 15, 2021 Discussions on the appointment of the Corporate Governance Officer and allocation of the remuneration to the directors and amount of remuneration to employees for the year 2020. The issues were duly passed after being resolved in the board of directors.
 - (3) August 13, 2021 Discussions on the 2021 pay raise. The issues were duly passed after being resolved in the board of directors.
3. Supplementary explanation about the scope of duties as requested under the letter of the competent authority. Pursuant to the organizational rules of the Company's Remuneration Committee, the Remuneration Committee shall faithfully perform the following functions and powers with due diligence as a bona fide administrator and shall submit the suggestions to the board of directors for discussion. The scope of the Committee's responsibilities and powers is as enumerated below:
 - (1) Review the organizational rules and offer suggestion for amendment on a regular basis.
 - (2) Set up and review on a regular basis the performance evaluation standards/criteria of the Company's directors, supervisors and managers; annual and long-term performance goals and salary/remuneration related policies, systems, standards and structures, and further disclose the contents of the performance evaluation standards into the annual report.
 - (3) Evaluate the achievement of the performance goals of the Company's directors, supervisors and managers on a regular basis and determine the contents and amounts of their individual remunerations based on the evaluation results obtained from the performance evaluation standards. The annual report should disclose the relevance and rationality of the individual performance evaluation results of directors, supervisors and managers, and the contents and amounts of individual remunerations. All such contents should be reported to the Board of Directors.

(V) Status of promotion of sustainable development and deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof:

Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies						
	Yes	No	Summary							
1. Has the Company established exclusively (or concurrently) dedicated units to promote sustainable development, and has the Board of Directors placed personnel at the senior management in charge of the promotion and monitored the promotion?	V		In alignment with the vision and mission of the ESG policy, the Company has designated the Treasury Dept. as the unit of promoting the Company’s sustainable development concurrently since 2015. It is responsible for regularly notifying the designated personnel of sustainable development at each unit to discuss relevant matters and preparing the sustainability report and submitting it to the Chairman for review. It identifies sustainable issues related to the Company’s operations and stakeholders through each meeting and formulates corresponding strategies and policies accordingly.	Not distinctive						
2. Does the Company implement the risk assessment of environmental, social, and corporate governance issues related to corporate operation and establish relevant risk management policies or strategies based on the principle of materiality? (Note: The principle of materiality refers to the issues with a material impact on the Company’s investors and other stakeholders in relation to environmental, social, and corporate governance issues.)	V		<div>1. This disclosure covers the Company’s sustainable development performance from January 2021 to December 2021, and the risk assessment is mainly conducted within the Company.</div> <div>2. We conduct analysis according to the materiality principle of the sustainability report, communicate with internal and external stakeholders, and review and integrate the assessment data from various departments to assess material ESG issues and put forth strategies corresponding to relevant risks.</div> <div>3. Relevant risk management policies or strategies formulated based on the assessed risks are as follows:</div> <table><tr><th>Material issues</th><th>Risk assessment items</th><th>Description</th></tr><tr><td>Environment</td><td>Environmental impact and management</td><td><div>1. The Company effectively reduces pollution emissions and impacts on the environment through the implementation of process safety management and standardized management cycle.</div><div>2. Adopt pollution prevention and</div></td></tr></table>	Material issues	Risk assessment items	Description	Environment	Environmental impact and management	<div>1. The Company effectively reduces pollution emissions and impacts on the environment through the implementation of process safety management and standardized management cycle.</div> <div>2. Adopt pollution prevention and</div>	Not distinctive
Material issues	Risk assessment items	Description								
Environment	Environmental impact and management	<div>1. The Company effectively reduces pollution emissions and impacts on the environment through the implementation of process safety management and standardized management cycle.</div> <div>2. Adopt pollution prevention and</div>								

Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
				<p>control measures, install a continuous monitoring system, test operating values, and strive to reduce the harm of air pollution to the environment.</p> <p>3. Test water quality of wastewater discharge in real time to ensure that the quality of discharge conforms to the regulations of the competent authority.</p> <p>4. Properly handle waste classification and management, recycle or reuse valuable waste through internal communication and visits to recycling companies, and move toward low emissions.</p> <p>5. Entrust qualified cleaning and processing companies to clear, transport, and dispose of waste with no reuse value and list them for reporting and tracking.</p> <p>6. Formulate an annual internal audit plan for the Company's compliance with various relevant environmental laws and regulations and audit the compliance of each operating process.</p>
			<p>Society</p> <p>Occupational safety</p>	<p>1. There was one violation of relevant laws and regulations in 2021, but there was no occupational injury or accident occurring.</p> <p>2. The plant has completed the verification of the ISO 45001 Occupational Health and Safety Management System.</p> <p>3. Fire exercises and industrial</p>

Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies		
	Yes	No	Summary			
				safety education and training are held regularly to cultivate employees' emergency response and safety self-management capabilities.		
			Product safety	1. We attach great importance to customer health and safety in all stages from raw material procurement to product sales, continue to improve production processes, and strive to produce non-toxic, eco-friendly, and green energy products in alignment with market trends and downstream customers' needs. 2. The specifications, performance, and usage precautions of the products produced and sold are listed in the specification properties table and the safety data sheet (SDS), so that customers can understand the methods of using products safely, and a consultation line is provided to help customers obtain the information they need. All product labeling is 100% in compliance with relevant laws and regulations.		
			Corporate governance	Socioeconomic and compliance		Ensure that all of the Company's personnel and operations truly comply with the relevant laws and regulations through the governance of the organization and the implementation of the internal control mechanism.
			Strengthening of directors'	1. Plan relevant training topics for directors and provide them with		

Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
			<div>competencies</div> <div>the latest regulations, system development, and policies every year.</div> <div>2. Purchase directors' liability insurance to protect them from litigation or claims for damages.</div> <div>Stakeholder engagement</div> <div>1. To prevent misunderstandings and risks of business operations or lawsuits due to stakeholders' different positions from the Company's, the Company identifies important stakeholders and their important issues of concern every year.</div> <div>2. Provide communication channels to reduce conflicts and misunderstanding. Set up an investor section on the website and have the spokesperson or dedicated personnel to handle and respond to any relevant matters.</div>	
3. Environmental issues (1) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	V		(1) Conduct regular inspection for emissions of volatile organic compounds throughout the entire plant once every quarter. Conduct regular inspection to monitor pollution and emissions from the facilities at the site and pollution discharges once a year. The whole factory has installed 38 sets of pollutant concentration monitoring systems to forecast potential environmental pollution for immediate response. Regularly dispose of waste at the factory at least once a month and commission qualified vendors to conduct proper treatment and disposal to prevent environmental pollution.	Not distinctive

Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
(2) Is the Company committed to improving the energy use efficiency and using recycled materials with a low impact on the environment?	V		Conduct concentration inspection of the on-site working environment quality at least twice a year. (2) 1. Replace paper signing with electronic signing and actively promote paperless office practice. 2. Adopt energy-saving lights for indoor lights. 3. Recycle and reuse water used in the production cooling system to reduce the waste of water resources.	
(3) Does the Company assess the potential risks and opportunities of climate change for companies now and in the future, and take relevant measures to respond?	V		(3) The Company has already identified potential risk factors and relevant improvement opportunities and measures. It has also defined indicators for GHG emission reductions, water and energy conservation, and waste reduction and actively strives to achieve these target values. It also conducts rolling reviews thereof. 1. Continue to use clean fuel natural gas as the source of the Company's heat. 2. Continue to promote the waste classification, reduction, and reuse strategy to reduce indirect greenhouse gas emissions. 3. Continue to analyze the relations between energy and production capacity and greenhouse gas emissions to analyze energy use rate.	
(4) Does the Company count greenhouse gas emissions, water consumption, and total weight of waste over the last two years, and formulate policies for greenhouse gas reduction, water consumption reduction, or other waste management?	V		(4) Implement factory site pollution and emissions control in accordance with regional environment changes and policies from the authority. Set temperature control policies for indoor air-conditioning to prevent waste of electricity. Carry out inspection of greenhouse gas emissions from the manufacturing processes and conduct energy-saving and carbon-reduction measures based on policies from the authority. Use automatic detection devices to change the time of using supplementary lightning depending on the season.	

Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies												
	Yes	No	Summary													
			<p>Garbage sorting is promoted and implemented to reduce the amount of generated waste. Processes are improved to decrease the amount of process waste. A constant pursuit of technical feasibility of waste reuse in Taiwan serves the purpose of minimizing environmental burdens.</p> <p>To make resources sustainable, environmental protection has become a key topic in the world. To reduce energy and resources consumption and emissions of greenhouse gas and improve product efficiency and competitiveness, the factory plans to save at least 3% in electricity consumption, reduce 15% of greenhouse gas emissions and cut down waste by 5% within 5 years. The factory will put energy-saving, carbon reduction and waste recycling to full practice, fulfilling the duties of global citizens.</p> <p>Annual greenhouse gas emissions for the last two years:</p> <p style="text-align: center;">Unit: CO2e metric tons</p> <table><tr><th>Year</th><th>2020</th><th>2021</th></tr><tr><td>Carbon dioxide</td><td>309.3043</td><td>372.6372</td></tr><tr><td>Greenhouse gas emissions (Scope 1)</td><td>309.621</td><td>373.011</td></tr><tr><td>Greenhouse gas emission intensity (tons CO2e/tons of products)</td><td>0.0776</td><td>0.0752</td></tr></table> <p>The above data is compiled without being verified by a third party. Although it has not been confirmed by an external third party, we ensure the accuracy of the information and data in the report through rigorous internal control and audit mechanisms.</p>	Year	2020	2021	Carbon dioxide	309.3043	372.6372	Greenhouse gas emissions (Scope 1)	309.621	373.011	Greenhouse gas emission intensity (tons CO2e/tons of products)	0.0776	0.0752	
Year	2020	2021														
Carbon dioxide	309.3043	372.6372														
Greenhouse gas emissions (Scope 1)	309.621	373.011														
Greenhouse gas emission intensity (tons CO2e/tons of products)	0.0776	0.0752														

Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies						
	Yes	No	Summary							
			<p>The greenhouse gas emission intensity in 2021 was 0.0752 (tons CO2e/ tons of products), which was lower than the emission of 0.0776 (tons CO2e/ tons of products) in 2020. The main emission reduction measures include continuous optimization of the processes, manufacturing improvement, reduction of fluorine gas consumption, and improvement to the maintenance and management of combustion equipment for destruction to strengthen the performance of energy conservation and carbon reduction in the process. As a result, the absolute carbon reduction in 2021 decreased by 3.1% on a year-on-year basis.</p> <p>The Company does not use renewable energy for the time being. To cope with climate change and promote sustainable development, we replace equipment with high energy consumption with that with low energy consumption, including process facilities, electrical facilities, and lights. We also replace old insulation packaging materials with high-efficiency insulation packaging materials, reduce the need to reheat or refrigerate equipment due to temperature loss, which will increase unnecessary energy consumption, and improve energy efficiency.</p> <p>As for the use of recycled materials, we increase the recycling rate of secondary packaging of finished goods and transfer the recyclable waste to recycling companies for use as raw materials to facilitate a circular economy.</p> <p>Water consumption in the two-year period: Unit: metric tons</p> <table><tr><th>Year</th><th>2020</th><th>2021</th></tr><tr><td>Running water</td><td>123,316</td><td>129,262</td></tr></table>	Year	2020	2021	Running water	123,316	129,262	
Year	2020	2021								
Running water	123,316	129,262								

Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies																											
	Yes	No	Summary																												
			<table><tr><td>amount</td><td></td><td></td></tr><tr><td>Water intensity (Water consumption/ Products)</td><td>3.5105</td><td>3.4361</td></tr><tr><td>Wastewater amount</td><td>58,430</td><td>63,451</td></tr></table> <p>The Company has invested in a number of improvement measures, including the improvement to the process facilities, reduction of operating water consumption, centralized production of products of the same nature, reduction of system cleaning water consumption, and reduction of wastewater. In 2021, water intensity is down about 2%.</p> <p>Total weight of waste in the two-year period: Unit: metric tons</p> <table><tr><td></td><td>2020</td><td>2021</td></tr><tr><td>General domestic waste</td><td>54.56</td><td>47.11</td></tr><tr><td>General industrial waste</td><td>315.37</td><td>376.09</td></tr><tr><td>Special industrial waste (hazardous)</td><td>50.71</td><td>0</td></tr><tr><td>Recycled and reused waste</td><td>13.43</td><td>0</td></tr><tr><td>Waste density (tons/ tons)</td><td>0.0124</td><td>0.0112</td></tr></table> <p>Zero waste is the ultimate goal of the Company’s waste management. To reuse resources sustainably, the Company adopts the strategy of reducing the total amount of waste and recycling waste, gives priority to recycling of waste from the plant, and reduces the consumption of raw materials and packaging materials. Then, external recycling companies recycle the</p>	amount			Water intensity (Water consumption/ Products)	3.5105	3.4361	Wastewater amount	58,430	63,451		2020	2021	General domestic waste	54.56	47.11	General industrial waste	315.37	376.09	Special industrial waste (hazardous)	50.71	0	Recycled and reused waste	13.43	0	Waste density (tons/ tons)	0.0124	0.0112	
amount																															
Water intensity (Water consumption/ Products)	3.5105	3.4361																													
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Special industrial waste (hazardous)	50.71	0																													
Recycled and reused waste	13.43	0																													
Waste density (tons/ tons)	0.0124	0.0112																													

Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies						
	Yes	No	Summary							
			remaining waste, and the waste that cannot be reused is processed through incineration or landfill. In addition, in alignment with continuous optimization of processes and manufacturing improvement, we reduce the output of waste from the source. The waste density in 2021 years was 0.0112 (tons/tons), which is lower than the waste density of 0.0124 (tons/tons) in 2020, and the waste density decreased by about 9%.							
4. Social issues (1) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	V		<div>(1) The Company complies with the relevant government laws and regulations, supports and respects internationally recognized human rights conventions and principles, including the United Nations Universal Declaration of Human Rights, the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Right; has formulated and implemented human rights-related policies, prohibits any form of forced labor, illegal discrimination, and child labor. We comply with relevant labor laws and regulations, protects employees' legitimate rights and interests, and manages them through two-way communication. The Company's human rights management and specific plan is summarized as follows:<table><tr><th>Human rights management policy</th><th>Specific plan</th></tr><tr><td>Provide a safe and healthy working environment</td><td>* Implement a safety and health policy to protect employees' and relevant operators' safety and health.</td></tr><tr><td>Assist employees to maintain physical and mental health and work-life balance</td><td>* Provide one hour break at noon to give</td></tr></table></div>	Human rights management policy	Specific plan	Provide a safe and healthy working environment	* Implement a safety and health policy to protect employees' and relevant operators' safety and health.	Assist employees to maintain physical and mental health and work-life balance	* Provide one hour break at noon to give	Not distinctive
Human rights management policy	Specific plan									
Provide a safe and healthy working environment	* Implement a safety and health policy to protect employees' and relevant operators' safety and health.									
Assist employees to maintain physical and mental health and work-life balance	* Provide one hour break at noon to give									

Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
(2) Has the Company formulated and implemented reasonable employee benefits measures (including remuneration, vacation and other benefits), and appropriately reflect operating performance or results in employee remuneration?	V		employees sufficient time for lunch. * Arrange regular and irregular employee health checkups to maintain their physical and psychological health	
			Prohibit forced labor and comply with the government's labor laws.	
			Formulate the Supplier Corporate Social Responsibility Principles to require suppliers to sign a commitment.	
			Give priority to working with suppliers who adopt TOSHMS, CNS-45001, ISO 45001, and other occupational safety, energy, and environmental management systems based on the principles of timeliness, appropriate values, appropriate quantity, and reasonable price in the respect of human rights, compliance, and environment, to work together to fulfill corporate social responsibility.	
			(2) <u>Employee remuneration</u> Employee benefit policies of the Company are positively correlated with individual abilities, contributions to the company, individual performance, and business performance. For instance, 5% of annual surpluses are appropriated as employee compensation.	

Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
			<p>The Company gives back to its employees based on its business performance and results in an adequate manner.</p> <p><u>Staff fringe benefits</u> The Company has established an Employee Welfare Committee, and we allocate 0.05% of the revenue for various benefits for employees, such as employee travel subsidies, birthday gift certificates, marriage allowances, maternity allowances, funeral condolence money, children's education allowances, and other benefits and allowances.</p> <p>In the leave system, those who have worked for a certain period of time will be given paid leave in addition to the two fixed days off per week. To enable our employees to raise their children under the age of three with peace of mind, those who have served for six months may submit a written application for unpaid childcare leave depending on their personal circumstances, so that they can take care of their children and are entitled to work after the childcare leave. They can also apply for reinstatement after the end of the leave, to take care of the personal needs and the need for family care.</p> <p><u>Workplace diversity and equality</u> Realize that men and women have equal pay for equal work and equal opportunities for promotion, and promote sustainable and inclusive economic growth In 2021, the average percentage of female employees was 15.89%, and the average percentage of female managers was 25%.</p> <p><u>Business performance reflected in employee remuneration</u> Article 19 of the Articles of Incorporation: The</p>	

Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
(3) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	V		<p>Company shall make up for the cumulative deficit in advance according to the profit situation of the year; if there is still a balance, it shall allocate 1% to 5% of the balance as employee remuneration and not higher than 0.3% of the balance as remuneration to directors and supervisors.</p> <p>(3) <u>Occupational safety and health policy</u> The Company has formulated a safety and health policy and respects relevant stakeholders' requirements for occupational safety and health to establish a safe and healthy workplace. The Company takes disaster prevention and control as the core concept, adopts appropriate management tools, well-developed technology, and available resources to integrate occupational safety and health issues in the plant, puts forth effective countermeasures, and continues to improve and promote an occupational safety culture, while strengthening the management and protection of operators to create an environment free of occupational accidents. There was zero case of occupational accidents in 2021, with zero employee injured (accounting for 0% of the total number of employees at the end of 2021), achieving the annual target of zero accidents. <u>Workplace environmental monitoring</u> To protect workers from the hazards of harmful substances in the workplace and provide them with a healthy and comfortable work environment, the work environment is monitored twice a year to gradually understand the workers' exposure to hazards. Regular health examination for employees. <u>Industrial safety audit</u> The Company has established an annual internal audit</p>	

Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies																
	Yes	No	Summary																	
			<p>plan for industrial safety, with the factory manager serving as the general convener. The industrial safety audit team enter the improvement suggestions in various audit reports and specific improvement situations in the internal audit system for each unit to track and improve, and we review the defects as per the improvement suggestions at the quarterly safety and health management meeting.</p> <table border="1"> <tr> <td>Industrial safety audit</td> </tr> <tr> <td>Daily inspection from time to time</td> </tr> <tr> <td>Quarterly firefighting equipment operation and exercises</td> </tr> <tr> <td>General inspection of large public dangerous goods twice a year</td> </tr> </table> <p><u>Equipment security management</u> Conduct comprehensive safety check and testing once a year for high-risk machinery and equipment. Set up rules for the use of occupational safety gears and equipment so employees can properly wear their personal protective equipment, ensuring their own safety. Occupational safety education and training sessions are regularly held for employees.</p> <p><u>The Company's industrial safety education and training and awareness-raising over the past three years</u></p> <table border="1"> <tr> <th>Year</th> <th>Number of education and training participants</th> <th>Number of education and training man-hours</th> </tr> <tr> <td>2019</td> <td>380</td> <td>1,359</td> </tr> <tr> <td>2020</td> <td>309</td> <td>1,019</td> </tr> <tr> <td>2021</td> <td>285</td> <td>1,205</td> </tr> </table> <p>The Company's verification:</p>	Industrial safety audit	Daily inspection from time to time	Quarterly firefighting equipment operation and exercises	General inspection of large public dangerous goods twice a year	Year	Number of education and training participants	Number of education and training man-hours	2019	380	1,359	2020	309	1,019	2021	285	1,205	
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Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
(4) Does the Company have an effective career capacity development training program established for the employees?	V		Our plant has obtained ISO 45001 certification. (4) The Company provides relevant internal and external professional education and training to managers and employees at all levels to enhance their career skills, including new employee training, professional competence training, and managerial skills training, to help them continue to learn and grow through diverse learning methods, while encouraging them to evaluate their own interest, skills, values, and goals and communicate their personal career goals with managers to devise their future career plans. Please refer to the 2021 Sustainability Report of Pan Asia Chemical Co. for the number of participants and total hours of career development and education and training completed in 2021.	
(5) Has the Company complied with the relevant regulations and international standards and formulated policies for consumer or customer protection and grievance procedures with respect to consumer health and safety, customer privacy, marketing and labeling of products and services?	V		(5) We attach great importance to customer health and safety in all stages from raw material procurement to product sales, continue to improve production processes, and strive to produce non-toxic, eco-friendly, and green energy products in alignment with market trends and downstream customers' needs, The specifications, performance, and usage precautions of the products produced and sold are listed in the specification properties table and the safety data sheet (SDS), so that customers can understand the methods of using products safely, and a consultation line is provided to help customers obtain the information they need. All product labeling is 100% in compliance with relevant laws and regulations. The Company strives to achieve "Customer Satisfaction" and "Customer privacy" and values and	

Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
(6) Has the Company formulated a supplier management policy that required suppliers to follow relevant norms on specific issues, such as environmental protection, occupational safety and health, or labor rights, and their implementation?	V		<p>immediately handles customer complaints to provide customer with comprehensive product information. The information on customers' customized products or processed products is kept confidential to avoid the leakage of information on transactions with customers. We strictly comply with relevant government regulations and manage and protect customers' privacy. We must confirm the product specifications before each transaction and will also analyze finished goods randomly. Our sales employees handle customer complaints to safeguard customers' rights and interests.</p> <p>(6) We have formulated the Supplier Corporate Social Responsibility Principles and require suppliers to sign a commitment, while giving priority to working with suppliers who adopt TOSHMS, CNS-45001, ISO 45001, and other occupational safety, energy, and environmental management systems based on the principles of timeliness, appropriate values, appropriate quantity, and reasonable price in the respect of human rights, compliance, and environment, to work together to fulfill corporate social responsibility.</p> <p><u>Selection of suppliers:</u> Submit certificates of ISO environmental management, occupational safety management, energy management, and other systems, if any. Submit the certificate of the ISO 9000 quality management system, if any. Monitor the performance of suppliers and include it in the supplier assessment; conduct supplier evaluation semi-annually.</p> <p><u>Safety management:</u> The Company pays special attention to the management</p>	

Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
			<p>of contractors' safety, and all contracts signed contain relevant safety management clauses to require contractors to implement safety management in accordance with relevant regulations. Before construction, a consultative organization meeting will be held in accordance with the law to ensure the safety of joint construction work, and the following items will be evaluated: compliance with safety and health rules, the proactive provision of safety and health management information, and the supplier's safety and health management capabilities.</p> <p><u>Supplier evaluation:</u></p> <p>Raise awareness of the environmental sustainability and occupational safety and health policies.</p> <p>Require an SDS for hazardous substances supplied.</p> <p>Increase the percentage of supplies recycled, increase the recycling of supplies, and reduce waste.</p> <p>Pay attention to the latest banned substances to ensure that banned substances are not used.</p> <p>Give priority to working with suppliers who passed ISO 14001 or TOSHMS certification.</p> <p>Give priority to working with suppliers with excellent environmental and hazardous substance management.</p> <p>Suspend the transaction if a supplier causes a negative impact on the environment, and the decision to continue the partnership will be made after re-assessment.</p> <p>Has suppliers sign the Supplier Social Responsibility Commitment and continue to remind them of complying with the Commitment.</p> <p>Regularly coordinate a material preparation mechanism with suppliers and establish long-term strategic partnership with suppliers</p> <p>Give priority to excellent suppliers and terminate the</p>	

Item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies										
	Yes	No	Summary											
			partnership with unethical suppliers.											
5. Does the Company refer to international criteria or guidelines for the preparation of reports, and compile reports on corporate non-financial information, such as sustainable reports? Did the aforementioned reports obtain the assurance or guarantee opinion of a third-party verification institute?	V		The Company prepared the 2021 Sustainability Report of Pan Asia Chemical Co. based on the Core Option in the Global Reporting Initiative's (GRI's) GRI Standards to disclose the Company's non-financial information. We should obtain an opinion rendered by a CPA as per the standards published by the Accounting Research and Development Foundation for the 2021 Sustainability Report. However, as of the publication date of the annual report, the sustainability report has not yet been completed.	Not distinctive										
6. If the Company has established its sustainable development code of practice according to the "Sustainable Development Best-Practice Principles for Listed Companies," please describe the operational status and differences: The Company has not yet established its own Development Best-Practice Principles.														
7. Other important information that facilitates the understanding of the promotion of sustainable development: Please refer to the Company's sustainability report. https://www.pacc.com.tw/social_tw.php?id=4 <p>(1) Amount committed to the community-friendly policy in 2021: Local give-back rewards of NT\$1,076 thousand and subsidies to the local groups and schools of NT\$206 thousands.</p> <p>(2) Employment opportunities to local residents in 2021:</p> <table border="1"> <tr> <td>Dashe</td><td>Nanzih</td><td>Renwu</td><td>Number of people in Kaohsiung.</td><td>% of the whole plant</td></tr> <tr> <td>6 persons</td><td>14 persons</td><td>4 persons</td><td>93 persons</td><td>25.81%</td></tr> </table>					Dashe	Nanzih	Renwu	Number of people in Kaohsiung.	% of the whole plant	6 persons	14 persons	4 persons	93 persons	25.81%
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(VI) The Company's ethical corporate management performance and its difference from the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies" and the root causes

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/ GTSM in best-practice principles of business integrity
	Yes	No	Summary	
<p>1. The policy and plan of business integrity</p> <p>(1) Has the Company formulated an ethical corporate management policy that was approved by the board of directors, and clearly specified in the rules and external document the ethical corporate management policies and strategies and the commitment by the board of directors and senior management on rigorous and thorough implementation of the policies in internal management and in commercial activities?</p> <p>(2) Has the Company had established a risk assessment mechanism against unethical conduct, regularly analyzed and assessed business activities within the business scope which were at a higher risk of being involved in unethical conduct and established prevention programs accordingly that at least included the preventive measures against the conducts specified in Article 7, paragraph 2 of the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?"</p> <p>(3) Has the Company specified the operating procedures, guidelines for conducts punishment and appeal system for violations in the prevention programs, have they been implemented accordingly and regularly reviewed and revised the aforementioned programs?</p>		V	<p>(1) Conceived with the corporate philosophy of integrity, transparency and accountability, the Company established its corporate policy on the basis of honesty and sincerity and has properly developed the mechanisms of corporate governance and risk control for cultivating the operation environment of sustainable development. The Company has developed its Code of Ethical Conduct and required directors and executives to lead by example, follow the principle of good faith and build a corporate culture of sincerity and integrity.</p> <p>(2) The Company first assesses the legality and the past transaction records based on good faith of the companies before establishing business relationships in order to avoid dealing with those who have flawed records. The Company also complies with the laws and regulations, requiring each donation and sponsorship to be reported and authorized by the proper authorization levels before being approved.</p> <p>(3) The code of conduct for employees also specifies reward and punishment measures to prevent any dishonest behaviors.</p>	Adequate.
<p>2. The Materialization of Business Integrity</p> <p>(1) Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?</p> <p>(2) Does the Company set up a unit dedicated to promoting ethical corporate management under the board of directors, and regularly (at least once a year) report to the board of directors its ethical corporate management policies and unethical conduct preventive action and the implementation of</p>	V	V	<p>(1) The Company engages in transactions and purchases in accordance with the laws and regulations and reviews the contract performance of suppliers to prevent the engagement with those who have had records of unethical conduct.</p> <p>(2) The Company has not yet established any dedicated team or team concurrently responsible for ethical corporate conduct to report to the board on a regular basis. For the purpose of sustainable management, the</p>	Adequate.

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/ GTSM in best-practice principles of business integrity
	Yes	No	Summary	
supervision?			appointment of managers values ethics as the priority. Any violations of ethical management shall be punished and reported to the board.	
(3) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?	V		(3) Administrative reporting procedures can be used to explain whether there is a potential conflict of interest with the Company.	
(4) Does the Company have established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit based on the assessed risk of unethical conduct to formulate relevant audit plans, and check the compliance with the unethical conduct preventive action or commission an accountant to perform the check?	V		(4) The Company's Audit office conducts auditing procedures based on the Regulations Governing Establishment of Internal Control Systems by Public Companies and assigns audit personnel according to the annual audit plan.	
(5) Has the Company organized corporate management internal and external education and training programs on a regular basis?	V		(5) The Company advocates for the principle of ethical business management and conveys the value to employees through meetings.	
3. The operations of the Company's Report System				
(1) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?	V		If there is any act of dishonesty, employees can directly report fraud or misconduct to the high-rank executives. The Company also keeps the identity of informant and the content of grievance filing confidential to prevent any retaliation. The Company has a disciplinary system of which formal administrative procedures can be followed to take disciplinary action against violators.	Adequate.
(2) Has the Company established standard operating procedures for investigating reported events, follow-up measures to be taken after the investigation was completed, and related confidentiality mechanisms?	V			
(3) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?	V		The Company is responsible for the confidentiality of the person filing grievances and will not take any improper handling procedures.	
4. Enhancing Information Disclosure				
(1) Does the Company have the contents of corporate management and its implementation disclosed on the website and MOPS?	V		The Company has already disclosed its "Code of Ethics" on its official website.	Adequate.
5. If the company has established corporate governance policies based on the Ethical Corporate Management Best-Practice Principles for the Listed Companies, please describe any discrepancy between the policies and their implementation in the Company: The Company has not defined its code of ethical business management but the operations follow the Ethical Corporate Management Best-Practice Principles for the Listed Companies.				
6. Other vital information that helps to understand the practice of business integrity of the Company (e.g. the review and revision of the best-practice principles of the Company in business integrity):				
Pan Asia Oil & Chemical Corporation Code of Ethical Conduct				
Approved by the board on March 16, 2015				
1. Purpose of institution and normative reference				

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/ GTSM in best-practice principles of business integrity
	Yes	No	Summary	
<p>To help the Company's directors, supervisors, managerial officers (including general managers or their equivalents, assistant general managers or their equivalents, department directors or their equivalents, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of a company) and other employees to act in line with ethical standards and to help interested parties better understand the ethical standards of the Company, this code of conduct is developed in accordance with the Guidelines for the Adoption of Codes of Ethical Conduct for the Listed Companies.</p> <p>2. Subject of Application This code of conduct applies to directors, supervisors, managers and other employees. The above-mentioned subjects are hereinafter referred to as the company personnel.</p> <p>3. The content The Company's code of ethics includes the following eight aspects:</p> <p>(1) Prevention of the conflict of interest: The Company personnel shall handle tasks in an objective and efficient manner and shall not direct improper benefits to themselves, spouses, parents, children or blood relatives within the second degree while holding positions in the Company. If the abovementioned people work for affiliates who have capital transactions, major assets transactions and buying and selling with the Company or the Company provides guarantee to the affiliates, the Company personnel shall take the initiative to explain if there is any potential conflict of interest and report the relation to the superiors.</p> <p>(2) Avoidance of seeking personal interest: 1. Company personnel shall not conduct the following acts: (1) Seeking opportunities for personal interest with the use of company assets, information, or the duties and functions they performed. (2) Acquisition of personal interest with the use of company assets, information, or the duties and functions they performed. (3) Engagement in competition with the Company. 2. When there is an opportunity for the Company to generate profits, the Company's staff should strive to help generate legitimate interests for the Company.</p> <p>(3) Confidentiality The Company personnel shall be bound by obligation to maintain the confidentiality of any information regarding the Company or its suppliers and customers, except when authorized or required by law to disclose such information. Information for non-disclosure includes the undisclosed information possibly be used by competitors or the disclosure of which may cause damage to the Company or the customers. The Company personnel shall keep secret information, technical data, personal data or other business information unknown to the public (whether verbal, in writing or with or without being marked with "Confidential") of the third-party, affiliates, users of affiliates or the Company confidential. Except for the performance of their tasks, the information shall not be arbitrarily inquired or used. Confidential information shall not be duplicated or produced in additional backup without the prior written consent of the Company. The information shall not be disclosed, mentioned or transferred to others in any way or published in any format.</p> <p>(4) Fair Trade Company personnel shall treat all suppliers and customers, competitors and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.</p> <p>(5) Protection and appropriate use of company assets: Company personnel have the responsibility to safeguard company assets and ensure that they can be effectively and lawfully used for official business purposes to prevent any theft, negligence in care or waste of the assets.</p> <p>(6) Compliance with applicable laws Company personnel shall abide by the Securities and Exchange Act and other related regulations.</p>				

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/ GTSM in best-practice principles of business integrity
	Yes	No	Summary	
<p>(7) Encourage the reporting of any illegal act or act of defiance of the Code of Conduct: Incidents suspected of or are found to be in violation of regulations or any code of ethical conduct shall be reported to supervisors, managerial officers, human resources units, internal head of auditing or other appropriate personnel. Sufficient information shall be provided to enable further responsive measures. The Company will handle the reported cases in a confidential manner and do its best to protect the safety of the person filing the grievance. For those who make malicious or false reports, the Company will provide counseling or, if necessary, carry out punishment. Retaliation, threat or harassment as a result of the above shall be immediately reported to the superiors or managers, and the Company will immediately take appropriate measures.</p> <p>(8) Penalty: If the Company personnel are suspected of violating the code of ethical conduct, the Company shall handle the issues according to the related regulations. However, anyone who violates this code of conduct may file an appeal, and the Company may provide remedies for violations of the ethical code of conduct.</p> <p>4. The Waiver Procedure If the directors, supervisors and managers are to be exempt from the requirements of the Company’s code of conduct, they shall be first approved by the board of directors. The date of approval by the board for exemption, objection or reservation of the independent directors, exemption period and reasons and the applicable criteria shall be disclosed on the Market Observation Post System.</p> <p>5. Means of Disclosure This code of ethical conduct shall be disclosed in the Company’s official website, annual report, prospectus and the Market Observation Post System, and the same applies to the amendment.</p> <p>6. Implementation This code of ethical conduct is to be implemented after the approval by the board, and the same applies to the amendment.</p>				

(VII) Corporate Governance Practices and the relevant regulations: Please refer to <http://newmops.tse.com.tw/> corporate governance

(VIII) Important information regarding the Company's governance operations and the inquiry method: <http://www.pacc.com.tw>

(IX) The following shall be disclosed in the pursuit of the internal control system:

1. Declaration of Internal Control Policies

Pan Asia Chemical Corporation
Statement of Declaration of Internal Control System

Date: March 14, 2022

The following declaration is based on the 2021 self-audit over the Company's internal control policies:

- I. The Company is aware that the establishment, execution, and maintenance of its internal control policies are the responsibilities The Company's board of directors and managers. These policies were implemented throughout The Company. The purpose is to provide reasonable assurance on the achievement of operating effectiveness and efficiency (including profits, performance, and assets safeguarding), reporting matters with reliability, timeliness, and transparency, and compliance with the relevant law and regulations.
- II. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within The Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company has based on the criteria of the internal control system effectiveness in the "Regulations Governing the Establishment of Internal Control System by Public Companies" (referred to as the Regulations" hereinafter) to determine the effectiveness of the internal control system design and implementation. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to "The Governing Principles" for details.
- IV. The Company adopted the abovementioned criteria to evaluate the effectiveness of its policy design and execution.
- V. Exactly pursuant to the evaluation results of the preceding paragraph, the Company firmly believes that the Company's internal control system (including the supervision and management of subsidiaries) as of December 31, 2021, including awareness of the effectiveness of operations and the extent to which the efficiency goals are achieved where the reporting system proves reliable in real time, transparent and consistent with laws and ordinances concerned, the design and implementation of the relevant internal control system and the like are effective enough to reasonably ensure the successful achievement of the aforementioned goals.
- VI. The "Internal Control System Declaration" will be the main content of the Company's annual report and prospectus for the reference of the public. Any misrepresentation or concealment of the aforementioned disclosures shall be liable to violation of Articles 20, 32, 171 and 174 of the Securities and Exchanges Act and the legal consequences thereof.
- VII. The present declaration statement was approved by the board of directors of the Company on March 14, 2022. In that event, all seven directors present voiced their consent to the content of this statement. This very key point is expressly added.

Pan Asia Chemical Corporation

Chairman Kuei-Hsien Wang

President: Jeh-Yi Wang

2. For the CPAs specifically commissioned to review the internal control system, the Independent Auditor's Report should be disclosed: None.
- (X) Penalties incurred by the Company and its employees pursuant to relevant laws or penalties imposed by the Company for violations of internal control system regulations by its employees in the most recent fiscal year up to the date of printing of annual reports must be listed with detailed information on relevant contents, major deficiencies, and improvements provided that the results of such penalties have a significant impact on shareholders' equity or security prices: NA
- (XI) Important Resolution of the Board of Directors as of the Publication Date of the Annual Report:
1. The important resolutions reached in the 2021 shareholders' meeting and their implementation:
 - (1) Confirm the Company's 2021 business report and financial report.
 - (2) Acknowledging the Company's 2021 Earnings Distribution.
Implementation status: November 2, 2021 has been set as the distribution base date; distribution was initiated on November 30, 2021 as per shareholders' meeting resolution. (Cash dividends of NT\$ 0.15 per share)
 - (3) Pass the amendments to the "Rules of Procedure for Shareholders' Meetings."
Implementation status: Handling in accordance with amended laws, regulations, and procedures
 - (4) Pass the capitalization of profit to issue new shares.
Implementation status: November 2, 2021 has been set as the distribution base date; amendment registration for capital increase at the Ministry of Economic Affairs was completed on November 10, 2021 and distribution was initiated on November 30, 2021. (Stock dividends of NT\$ 0.85 per share)
 2. Major Board of Directors resolutions

2021.01.18	It was passed including the financing case(s) with banks, with procurement of partial communications at Dashe District, Kaohsiung City from China Man-Made Fiber Corporation Co., Ltd., amendment to the Company's procurement and payment cycle-procurement/ordering internal control measures; year-end remuneration policy toward directors and managers in the year 2020 and salary and remuneration policy toward directors and managerial officers for the year 2021.
2021.03.15	Passed internal control for financial statement preparation process management operations, 2020 financial statements and business report, 2020 earnings distribution proposal, 2020 capitalization of earnings through issuance of new shares, distribution of 2020 remuneration to directors and employees, partial amendments to the Rules of the Procedure for Board of Directors Meetings, partial amendments to the Rules of Procedure for Shareholders' Meetings, determination of the date and motions for the 2021 shareholders' meeting, and appointment of the Corporate Governance Officer.
2021.05.10	Pass under resolution financing with banks; amendment to the share equity affairs related internal control system.
2021.07.12	Passed a bank financing case and re-set the date of the 2021 shareholders' meeting.
2021.08.13	Passed the 2021 salary adjustment plan for the Company's insiders, the 2020 earnings distribution to directors, and the amount of employee remuneration to managers.
2021.10.08	Passed a bank financing case and set the record date of the recapitalization of earnings and the ex-rights and ex-dividend date of cash dividends.
2021.11.08	Passed a bank financing case, the 2021 cash capital increase through Taichung Commercial Bank, the audit fees for the appointment of Deloitte & Touche in 2021, the amendments to the internal control for changes in fixed assets in the fixed asset cycle, the 2022 internal audit plan, and 2022 annual budget plan.

2022.01.17 Pass with resolution the financing issues with banks, the 2022 annual budget case, year-end remuneration policy for directors and managers for the year 2021; salary remuneration policy for directors and managers for the year 2022.

(XII) If the directors or supervisors have different opinions on the resolutions reached by the Board of Directors with a record or written statement made in the most recent year and up to the printing date of the annual report, please state the content of the opinion: Not applicable.

(XIII) Resignation and dismissal of persons connected to financial statements in the most recent fiscal year up to the date of printing of annual reports (incl. Chairman, President, and chief accounting, internal audit, governance, and R&D officers): Not applicable.

V. Disclosure of CPAs' remuneration

Currency unit: NT\$1,000

Firm Name	CPA Name	The duration of the audit	Auditing fee	Non-Auditing fee	Total	Remarks
Deloitte & Touche	Wen-Ya Hsu	2021.1.1- 2021.12.31	2,280	340	2,620	Remark: The non-audit fee includes NT\$220 thousand for tax compliance audit, NT\$60 thousand for industrial and commercial registration, and NT\$60 thousand for recheck opinions on surplus to be transferred into capital increase.
	Su-Huan Yu	2021.1.1- 2021.12.31				

Note: If there is any CPA or CPA Firm being replaced in current year, the auditing period should be indicated separately and the reason for such replacement should be detailed in the remark column; also, the information regarding the audit and non-audit fee paid should be disclosed. Non-audit fees and the service contents shall be indicated.

1. Commissioned a new CPA Firm to serve for an audit fee less than the year before: Not applicable.
2. Audit fee of current year is more than 10% less than the year before: Not applicable.

VI. Change of CPA: None.

VII. Any of the Company's Chairman, General Manager, or managers involved in financial or accounting affairs being employed by the auditor's firm or any of its affiliated company within the recent year: Not applicable.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer or principal shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

Title	Name	2021		Until February 28, 2022	
		Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares
Institutional Director	Sheng Jen Knitted Textiles Co., Ltd.	1,593,619	0	0	0
Institutional Director	Chung Chien Investment Co., Ltd.	1,316,778	0	0	0
Chairman	Kuei-Hsien Wang	0	0	0	0
Director	Kuei-Fong Wang	0	0	0	0
Independent director	Lung-Teng Chen	0	0	0	0
Independent director	Kuo-Fu Hsiao	0	0	0	0
Independent director	Kuo-Ming Chang	0	0	0	0
Director	Hung-Yang Wu	0	0	0	0
Director / President	Jeh-Yi Wang	87	0	0	0
Executive Vice President	Wang Tsang-Hai	0	0	0	0
Executive Vice President	Kuo-Ching Chen	0	0	0	0
Business Manager	Huang Yao-Li	0	0	0	0
Chief accountant	Wen Yu-Tao	0	0	0	0
Chief financial officer	Chen Shih-Yi	0	0	0	0
Major Shareholder	CHINA MAN-MADE FIBER CORPORATION	11,410,442	0	0	0

The counterparties among the aforementioned equity transfer process or pledge of equity are not related parties.

IX. The top 10 shareholders by proportion of shareholding and information on their affiliations

February 28, 2022

Name	Own shareholdings		Shares Held by Spouse & Dependents		Shareholdings under the title of a third party		Title, name and relationship of the top ten shareholders who have mutual relationship as spouse or blood relative within the second degree.		Remark
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Name	Affiliation	
China Man-Made Fiber Corporation	145,650,946	44.40%	0	0	0	0	China Man-Made Fiber Investment Co., Ltd. Shen-Ren Knitting Factory Co., Ltd. Midea	With substantial control capability over the Company. Affiliate Same responsible person	
Chung Chien Investment Co., Ltd.	16,808,285	5.12%	0	0	0	0	China Man-Made Fiber Corporation Midea	As a juristic person director Same responsible person	
Yu Hwei Technology Co., LTD.	5,748,898	1.75%	0	0	0	0	China Man-Made Fiber Corporation China Man-Made Fiber Investment Co., Ltd.	Same responsible person Same responsible person	
China Man-Made Fiber Corporation Chung Chien Investment Co., Ltd., Yu Hwei Technology Co., LTD. Responsible person: Kuei-Hsien Wang	0	0	0	0	0	0	N/A	N/A	
Sheng Jen Knitted Textiles Co., Ltd.	20,342,088	6.20%	0	0	0	0	China Man-Made Fiber Corporation	Affiliate	
Sheng Jen Knitted Textiles Co., Ltd. Person in charge: Hsiao-Chieh Lin	0	0	0	0	0	0	N/A	N/A	
Sheng-Lu Lin	3,059,700	0.93%	0	0	0	0	N/A	N/A	
HSBC entrusted with Morgan Stanley International Limited accounts	1,998,683	0.61%	0	0	0	0	N/A	N/A	
Pan Asia Employee Welfare Committee	1,962,116	0.60%	0	0	0	0	N/A	N/A	
Pan Asia Chemical Corporation Employee Welfare Committee Committee chairman: Wang Tsang-Hai	0	0	0	0	0	0	N/A	N/A	
Credit Suisse Group Investment Account under custody of Department of Business, Standard Chartered Bank (Taiwan) Limited	1,172,885	0.36%	0	0	0	0	N/A	N/A	
Liu Cheng-Yi	759,500	0.23%	0	0	0	0	N/A	N/A	
Chao-Ju Chen	746,341	0.23%	0	0	0	0	N/A	N/A	

X. Investments jointly held by The Company, The Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by The Company.
Calculate shareholding in aggregate of the above parties

Unit: Thousand Shares; %

Investee (Note)	Invested by The Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Combined investment	
	Quantity	Shareholding	Quantity	Shareholding	Quantity	Shareholding
Taiwan Securities Exchange Corporation	309	-	1,492	-	1,801	-
Chung Shing Textile Co., Ltd.	120	-	0	-	120	-
Chung Chien Investment Co., Ltd.	12,000	18	300	-	12,300	18
Taichung Securities Investment Trust Co., Ltd.	979	3	3,130	10	4,109	13
Taichung Commercial Bank Co., Ltd.	253,261	6	992,117	22	1,245,378	28
CHINA MAN-MADE FIBER CORPORATION	261,501	16	117,531	7	379,032	23
Melasse	1,450	50	1,450	50	2,900	100
Taiwan Tea Corporation	11,800	1	17,200	2	29,000	3
Taichung Commercial Bank Co., Ltd., financial bonds/in the unit of sheets (Note)	20	-	11	-	31	-

Note: As the Company's long-term investment; Commercial Bank Co., Ltd., financial bonds, in the face amount of NT\$10 million per sheet

Four. Funding Status

I. Capital and outstanding shares

(I) Capital Sources

	Issuing price	Authorized shares capital		Paid-in shares capital		Remark		
		Quantity	Amount	Quantity	Amount	Sources of shares and dividends	Paid in properties other than cash	Others
2020.09	NT\$ 10	480,000,000	4,800,000,000	302,328,371	3,023,283,710	Capitalization of earnings	N/A	Note 1
2021.11	NT\$ 10	480,000,000	4,800,000,000	328,026,282	3,280,262,820	Capitalization of earnings	N/A	Note 2

Note 1: The earnings were approved to be transferred into capital increase under Letter Jing-Shou-Shang-Zi 10901172900 dated September 15, 2020

Note 2: The earnings were approved to be transferred into capital increase under Letter Jing-Shou-Shang-Zi 11001205170 dated November 10, 2021

Stock Type	Authorized shares capital			Remark
	Outstanding shares	Unissued Shares	Total	
Common stock	328,026,282	151,973,718	480,000,000	OTC

Self-registration system information: None

(II) Composition of Shareholders

February 28, 2022

Composition of Shareholders Quantity	Government Apparatus	Financial Institution	Other Juridical	Individual	Foreign Institution and Foreigner	Total
No. of Person	0	0	118	27,612	23	27,753
Quantity of Shares	0	0	191,967,016	130,468,950	5,590,316	328,026,282
Shareholding	0	0	58.52%	39.78%	1.70%	100%

(III) Equity Distribution

February 28, 2022

Range of Shares	No. of Shareholders	Quantity of Shares	Shareholding
1 to 999	15,200	1,144,307	0.35%
1,000 to 5,000	7,565	16,440,268	5.01%
5,001 to 10,000	2,031	13,421,117	4.09%
10,001 to 15,000	1,200	13,939,433	4.25%
15,001 to 20,000	458	7,694,177	2.35%
20,001 to 30,000	536	12,563,650	3.83%
30,001 to 40,000	238	8,059,336	2.46%
40,001 to 50,000	107	4,772,101	1.45%
50,001 to 100,000	240	16,122,055	4.91%
100,001 to 200,000	99	12,887,735	3.93%
200,001 to 400,000	51	13,568,329	4.14%
400,001 to 600,000	15	7,240,131	2.21%
600,001 to 800,000	5	3,424,380	1.04%
800,001 to 1,000,000	0	0	0%
1,000,001 and above	8	196,749,263	59.98%
Total	27,753	328,026,282	100.00%

Preferred shares: Not issued

(IV) List of major shareholders

February 28, 2022

Name of Principle shareholder	Stock	Shareholding (shares)	Shareholding %
CHINA MAN-MADE FIBER CORPORATION		145,650,946	44.40%
Sheng Jen Knitted Textiles Co., Ltd.		20,342,088	6.20%
Chung Chien Investment Co., Ltd.		16,808,285	5.12%
Yu Hwei Technology Co., LTD.		5,748,898	1.75%
Sheng-Lu Lin		3,059,700	0.93%
HSBC entrusted with Morgan Stanley International Limited accounts		1,998,683	0.61%
Pan Asia Employee Welfare Committee		1,962,116	0.60%
Credit Suisse Group Investment Account under custody of Department of Business, Standard Chartered Bank (Taiwan) Limited		1,172,885	0.36%
Liu Cheng-Yi		759,500	0.23%
Chao-Ju Chen		746,341	0.23%

(V) Market price, net value, earnings, dividend per share and related information in the last 2 years

Year			2020	2021	2022/1/1~ 2022/2/28 (Note 2)
Items					
Market Price Per Share	The Highest	Before adjustment	15.80	15.65	12.90
		*Post-adjustment	14.41	-	-
	The Lowest	Before adjustment	9.71	10.60	12.45
		*Post-adjustment	8.80	-	-
	Average	Before adjustment	12.44	12.77	12.71
		*Post-adjustment	11.32	-	-
Net Value Per Share	Before Distribution		18.63	17.76	-
	After Distribution		17.17	(Note 1)	-
Earnings per share	Weighted average shares (in thousands shares)	Before adjustment	302,328	328,026	-
		*Post-adjustment	328,026	-	-
	Earnings per share	Before adjustment	0.82	1.05	-
		*Post-adjustment	0.76	-	-
Dividend Per Share	Cash dividends	Before adjustment	0.15	0.15 (Note 1)	-
		*Post-adjustment	0.15	-	-
	Free-Gratis Dividends	Retained Shares Distribution	0.85	0.75 (Note 1)	-
		Capital Reserve Shares Distribution	-	-	-
	Retained Dividends		-	-	-
			-	-	-
Return on investment Analysis	Price earnings ratios		15.17	12.16	-
	Dividend Yield		82.93	85.13 (Note 1)	-
	Cash Dividend Yields		1.21%	1.17% (Note1)	-

Note 1: To be ascertained after the earning distribution motion is passed in the shareholders' meeting in the present year (2022).

Note 2: Net worth per share and EPS shall be filled to the date of publication of the annual report with the data attested (reviewed) by the CPA in last quarter. The other columns should also be filled up data during the current fiscal year up to the date of publication of the annual.

(VI) The company's dividend policies and execution

1. Dividend policy: Where the Company proves to make a profit in a fiscal year, a sum from 1% to 5% shall be allocated as employee compensation, to be allocated in either stocks or cash as resolved in the board of directors. With the aforementioned amount of profit earned, a sum within 0.3% maximum may be allocated as remuneration to directors and supervisors as resolved by the board of directors. However, when the company still has accumulated losses, an amount equivalent to the loss should be reserved for making up the loss.

With the net profit of the Company as shown through year-end final account settlement, the sum to pay tax and make good previous loss, if any, shall be first allocated. With the balance, a sum 10% shall be amortized as legal reserve and then the sum for special reserve as required under the provisions promulgated by the competent authority. The final balance along with the unappropriated retained earnings of the preceding year shall be duly allocated at the ratio as proposed by the board of directors as the actual circumstance may justify. To be submitted to the shareholders' meeting for a resolution to distribute dividend and bonus to shareholders.

The special surplus reserve shall be converted into unappropriated retained earnings before the earnings may be distributed according to requirements.

Where the legal reserve is up to the Company's paid-in capital, no more legal reserve shall be amortized.

The Company is required to coordinate with the overall environment and industry growth characteristics and to take into account the Company's future capital needs and to meet the shareholders' demand for cash inflows. Where the Company grants dividend every year, the stock dividend shall not be higher than 95% of the aggregate total of cash dividend and stock dividend.

2. Facts regarding distribution of dividends as proposed by the shareholders' meeting: As proposed in the present shareholders' meeting, the cash dividend shall be NT\$0.15 per share and stock dividend at NT\$0.75 per share.
3. Significant change anticipated for dividend policy: Such fact is nonexistent

(VII) The impact upon the Company's business performance and earning per share from the issuance of bonus shares proposed in the present shareholders' meeting:

The issue of issuance of bonus shares proposed by the present shareholders' meeting is expected to increase 24,601,971 common shares, with a dilution ratio to the equity at 7.5% (Note). Given that dilution effect, the year 2021 earnings per share is adjusted retrospectively to lower from NT\$1.05 down to NT\$0.97. (Note: Duly calculated based on the Company's outstanding shares at 328,026,282 shares deducted with treasury share at 0 shares.)

(VIII) Remuneration for directors and supervisors

1. The percentages and scope of the remunerations to employees, directors and supervisors as set forth under the Articles of Incorporation: Please refer to the Company's dividend policy.

On the remuneration to employees and remuneration to directors and supervisors related information as passed by the board of directors and resolved in the shareholders' meeting, more details are available through looking into the Market Observation Post System (MOPS) and such channels.

2. Regarding the basis for the estimation of the amount of compensation toward employees, directors, and supervisors in the present period, the calculation basis for the number of shares of employee compensation with stock

distribution and the accounting treatment if the actual distribution amount differs from the estimated number: The company has estimated the remuneration toward employees and remuneration to directors and supervisors exactly in accordance with the provisions set forth under the Articles of Incorporation and the previous experiences. With the pre-tax surplus earning before deducting remuneration to employees and remuneration to directors and supervisors, we grant 1% as remuneration to employees and 0.3% as remuneration to directors and supervisors. At the end of the fiscal year, where the directors' meeting resolves the actual allocated amount different from the estimate, the changes shall result in the adjustment of the expenses provided for the current year. Where the shareholders' meeting resolves the actual allocated amount different from the estimate, it shall be stated as the change in accounting valuation in the year of the resolution made by the shareholders' meeting. If the shareholders' meeting resolves to use stocks to pay employee compensation, the number of shares shall be determined by dividing the amount of the employee's compensation determined by the fair value of the stocks and the fair value of the stocks is calculated based on the stock price closed on of the day before the shareholders' meeting resolution, giving the impact of the ex-right dividend as the calculation basis.

3. Remuneration to be distributed as resolved in the board of directors:
 - (1) Where remuneration for employees and directors and supervisors is distributed in cash or stocks (if there is a difference from the annual estimated amount of recognized expenses, the Company shall disclose the difference, the reason and the handling fact): In the year 2021, the Company's estimated remuneration to employees amounted to NT\$3,520 thousand and the remuneration to directors and supervisors amounted to NT\$1,056. The difference is dealt as the change in accounting estimates for the year 2022.
 - (2) The proportion of amount equivalent to the stock distributed as compensation for employees in the earnings after tax in the individual or single financial statement of the period and the total amount of compensation for employees: Not applicable.
4. The substantial distribution of the remuneration payable to employees, directors and supervisors in the preceding year (including the number of shares distributed, amount and stock price). In case of a difference from recognized remuneration payable to employees, directors and supervisors, the Company shall explain the difference, the reasons and countermeasures: As resolved in the shareholders' meeting convened on July 29, 2021, in the year 2020, the allocated remuneration to employees amounted to NT\$2,597 thousand and the allocated remuneration of directors and supervisors amounted to NT\$779 thousand, without any difference at all from the amounts recognized under the financial statement.

(IX) Buy-back of the Company's shares by the company: Not applicable.

II. Any offering of corporate bonds (including offshore bonds): None.

III. Disclosure relating to preference shares: None.

- IV. Disclosure relating to depository receipts: None.
- V. Employee stock warrants: None.
- VI. Restricted stock awards: None.
- VII. Disclosure on new shares issued for the acquisition or transfer of other shares:
None.
- VIII. Progress on the use of funds: None.

Five. Business performance

I. Content of business

(I) Business scope

1. Principal business activities

- (1) C801020 Petrochemical manufacturing.
- (2) C802090 Cleaning products manufacturing.
- (3) D101050 Steam and electricity paragenesis.
- (4) F212011 Gas station.
- (5) F212061 Gas station.
- (6) H701010 Residence and buildings lease construction and development
- (7) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

2. Percentage of current business

Nonionic surfactants account for about 80% of the revenue and esterified products account for about 20%.

3. Current product line

Polyethylene glycol and alkane ether, polyethylene glycol and alkyl ether, castor oil EO addenda, polyethylene glycol propanamine, polyethylene glycol and fatty acid esters, polyethylene glycol, poly-propylene glycol and polyethylene glycol, trimethylolpropane EO additive, polyol EO, PO addenda, spinning oil agent, lubricating oil esters, plastic slip agents, cleaning agent esters and bath softeners.

4. New products to be developed:

Polyethylene glycol derivatives, spinning oil agents, fiber softeners, esterified products.

(II) Industry overview

1. Present state of the industry and development

The global market was subject to impacts from COVID-19 in 2021. Despite the changes in supply and demand in the markets of Asian countries, the overall sales remained at the same level as in the previous year.

2. The association of industries from upstream to downstream:

Nonionic surfactants serve as a bridge between the upstream petrochemical industry and the downstream consumer and industry product industries, and they are irreplaceable to the growth of industries.

3. Developing trend and competitiveness of products:

- (1) Nonionic surfactants are essential for economic development and are less susceptible to the impact from economic fluctuations.
- (2) The industry requires the advantages of having EO plants, and the Company has the competitive advantage.
- (3) Due to the zero tariff between the member countries in the ASEAN-China Free Trade Area starting 2009, the Company has faced challenges in terms of the pricing.

(III) Technological research and development

1. R&D expenses: NT\$17,579 thousand.

2. Technologies or products successfully developed: Environmentally friendly plasticizer-DOTP, metal cleaning agent, spinning oil agent, lubricating oil esters, plastic slip agents, cleaning agent esters and bath softeners.

(IV) Long- and short-term business development plans:

1. Short-term: Increase the proportion of sales of EOD and esterified products which are value-added to increase overall revenue and profit.
2. Long-term: Improve the technology level of products, develop vertical integration to explore new fields in the market.

II. Market and sales overview

(I) Market analysis

1. The regions for the sale of premium products
 - (1) Domestic sales: About 42%, through other distributors or by the Company.
 - (2) Export: About 58%, with the most comes from China, followed by Southeast Asia, the Middle East and Australia.
2. Market share: About 40% in the domestic market.
3. Future market supply/demand and growth potentials
 - (1) Supply and demand situation: In 2021, the global market was under the impact of COVID-19. Despite the changes in the supply and demand of markets in Taiwan, China, and other countries and regions, the overall sales remained at the same level as in the previous year.
 - (2) ECFA reduced the import tariff of China to 0%. Very helpful for some of the Company's products sold to China.
4. Competitive advantage
 - (1) Stable supplies of raw materials of EO, NP, DEG and natural alcohol.
 - (2) Stable quality. Competitive price. Seamless marketing channels.
5. Favorable and unfavorable factors and response policy of development vision
 - (1) Favorable
 - A. Diversified products. Wide variety of demands in the industry, and it is less susceptible to the impact from economic fluctuation.
 - B. Higher levels of technology than China and Southeast Asia. Stable production and supply. Stable export volumes to China and Southeast Asia every year.
 - C. Strong sales channels and relationships. Products are sold to various industries both domestically and internationally.
 - D. Secure supply of raw materials. The supply of main raw materials, NP and petrochemical EO, comes from a long-term partner, CMFC's production line.
 - (2) Unfavorable
 - A. Environmental awareness is still high. Large fluctuation in the price of global crude oil. Stronger competition among industry players both at home and abroad. The Company will quickly adjust the sales proportion of main products and increase the sales volume of specialty products which offer higher gross margin to stimulate the overall revenue.
 - B. The domestic industries continue to move out, further reducing the demand. The Company actively develops and exports products to overseas markets in cooperation with customers, to maintain and increase the sales.
 - C. The domestic environmental protection policy limits the use of nonylphenol products and the textiles sold to Europe are prohibited from using nonylphenol additives. The Company actively develops alternatives to the nonylphenol product series and develops new

products or new functions in cooperation with customers.

(3) Countermeasures

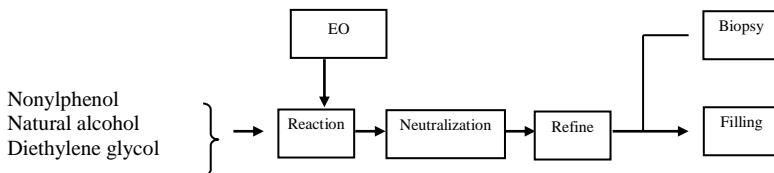
- A. Develop natural eco-friendly product series in response to the trend of environmental protection to reduce the impact from the increasing price of petrochemical raw materials.
- B. Develop high value-added products and contract manufacturing products in response to the industry upgrade and customer demands to improve the competitiveness in the industry.

(II) Intended use and production processes of the main products

1. Intended use of the main products:

Main products	Polyethylene glycol alkylphenol ether, polyethylene glycol alkyl ether, castor oil EO addenda, polyethylene glycol propanamine, polyethylene glycol and fatty acid esters, polyethylene glycol, poly-propylene glycol and polyethylene glycol, trimethylolpropane, EO additive, spinning oil agent, lubricating oil esters, plastic slip agents, cosmetic esters, cleaning agent esters and bath softeners.	
Main applications	Household cleaners	Detergent, penetrant, emulsifier, wetting agent, softener
	Personal toiletries	Detergent, penetrant, emulsifier, wetting agent, softener
	Fiber industry	Detergent, penetrant, dyeing auxiliary, emulsifier, bath softener
	Metal industry	Cleaning agent, emulsifier, additives for electroplating
	Pulp and paper industry	Degreaser, deinking agent, wetting agent
	Plastic industry	Emulsified polymeric emulsifier, internal and external lubricants for plastic
	Rubber industry	Additives, release agents
	Paint industry	Dispersant, emulsifier
	Cosmetic industry	Cleaning agent, emulsion, base material, wetting agent
	Electronics industry	Cleaning agent
	Polymer industry	Modifier, emulsifier, antistatic agent

2. Manufacturing process



(III) The supply of main raw materials

1. Ethylene oxide: Supply contract with CMFC.
2. Nonylphenol: The source of supply is CMFC, and the current status of supply is good.
3. Natural alcohol: There is no domestic manufacturer so it is imported from various sources.

(IV) The list of any companies accounting for 10 percent or more of the Company's total purchase (or sales) amount in the last two years

Main suppliers the most recent two years

Unit: NTD thousand

2020					2021			
Items	Name	Amount	Percentage of the net purchase of the year (%)	Affiliation with issuer	Name	Amount	Percentage of the net purchase of the year (%)	Affiliation with issuer
1	China Man-Made Fiber Corporation	601,055	60	The parent company	China Man-Made Fiber Corporation	755,002	54	The parent company
2	Others	395,383	40		Others	648,537	46	
	Purchase – net	996,438	100		Purchase – net	1,403,539	100	
Reasons for the increase or decrease: The increase in purchases in the year was mainly due to a 7% increase in production and an increase in raw material costs.								

Note: List the suppliers accounting for 10 percent or more of the Company's total purchase amount in the last two year and the purchase amount and the percentage of the total purchase. Replace the suppliers' names with codes if, due to contractual obligation, the names cannot be disclosed or the transaction counterparty is an uninterested individual.

The main customers for sales within the last two years

Unit: NTD thousand

2020					2021			
Items	Name	Amount	Ratio to the annual net sales amount [%]	Affiliation with issuer	Name	Amount	Ratio to the annual net sales amount [%]	Affiliation with issuer
1	A	255,138	18	N/A	A	180,844	10	N/A
2	Others	1,202,543	82		Others	1,546,733	90	
	Sales – net	1,457,681	100		Sales – net	1,727,577	100	
Reasons for the increase or decrease: The decrease in customer sales in this year is mainly due to the reduction of customer demand due to the limited sales of goods affected by the covid19.								

Note: State the name of the customers with over 10% of the total sale amount within the last two years, and their sale amount and ratio. However, since the name of the customers may not be disclosed due to the contract signed or the counterparty of the transaction is an individual and is not a related party, it can be identified with a code number.

(V) Manufacturing scale of products in the last two years

Volume – Metric tons
Unit: NTD thousand

Year Production volume and value Main Products	2020			2021		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Nonionic surfactants	35,000	31,135	987,372	35,000	32,656	1,247,580
Others	6,300	3,989	190,642	6,300	4,962	296,047
Total	41,300	35,124	1,178,014	41,300	37,618	1,543,627

(VI) Sales volume and value of main products the past two years

Volume – Metric tons
Unit: NTD thousand

Year Sales Volume/Value	2020				2021			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main Products								
Surfactants	12,515	486,914	19,557	753,597	13,447	589,503	17,593	832,504
Others	1,406	75,006	3,054	142,164	1,702	109,768	3,324	195,802
Total	13,921	561,920	22,611	895,761	15,149	699,271	20,917	1,028,306

(VII) Yield rate of key performance indicators for industry specificity and characteristics:
In the Company, the average yield rate of non-ionic surfactant products is as high as 99.85%.

III. Employees

Year		2020	2021	Until February 28, 2022
Employee No.	Staff	48	48	47
	Workers	60	59	57
	Total	108	107	104
Average age		43.686	44.707	45.154
Average seniority		14.214	14.587	14.924
Academic qualification	Doctoral Degree	0.00%	0.00%	0.00%
	Master	8.16%	8.08%	8.16%
	College	72.45%	71.72%	71.43%
	Senior High School	19.39%	20.20%	20.41%
	Below Senior High School	0.00%	0.00%	0.00%

IV. Environmental Protection Expenditure.

- (I) Within the latest year and as of February 28, 2022, the loss and impairment undergone by the Company as a result of environmental pollution (including compensation and environmental protection audit results in violation of environmental protection laws and regulations, the punishment date, file number of penalty, provisions of violated regulations, the content of violated regulations, content of penalty). The Company shall, as well, disclose the estimated amount and countermeasures for a potential occurrence in the future. Where such impairment is unable to be estimated, the Company shall explain the facts why it could not be estimated in a rational manner: None.
- (II) Future countermeasures: None.
- (III) ROHS information: No impact on the Company.

V. Employer and employee relationships

- (I) The implementation of employee welfare policy, continuing education and training, and retirement system, and labor–management coordination, and the protection of the rights of the employees:
1. The Company established an employee welfare committee on July 17, 1991, which is

responsible for the welfare of all employees. The measures include welfare assistance, education scholarships, cultural and recreational activities and other welfare subsidies. The budgeting, expenditures and arrangement of welfare benefits every year are discussed and monitored by committee members of the employee welfare committee every three months in their meetings, providing positive stabilizing effect to employees' mental state.

2. To encourage employees to enrich their professional knowledge and skills and improve work quality and efficiency, the Company has developed training management measures to support the Company's sustainable management and development. The education and training program includes internal and external training courses. The planning and implementation of education, training and continuing education programs are carried out in accordance with the different needs of units within the Company. There are internal group training sessions and participation in the external professional courses, and the details regarding the participation in the external professional training courses are described below:

Items	Total number of persons	Total hours	Total cost
Training for new recruits	7	56.0	0
Professional competence training	107	593.0	78,480
Managerial skills training	80	623.5	109,220
General knowledge training	160	325.0	8,500
Total	354	1,597.5	196,200

The course expenses are supported by the Company, and there are a variety of external free professional courses of which employees are encouraged to attend.

3. The Company has developed retirement, consolation and severance measures in accordance with the Labor Standards Act and the Labor Pension Act to offer employees with on-the-job and retirement benefits to appreciate their dedication in providing professional services.

- (1) In terms of retirement measures:

- A. For those who are eligible for the old pension plan, they may apply for retirement if they have reached the age of 55 and worked for more than 15 years, or have worked for more than 25 years or have reached the age of 60 and worked for more than 10 years.

Here in the Company, the pension payment standard is built based on the Regulations Governing Retirement for Workers in Taiwan Province and the Labor Standards Act. According to the years of service seniority, two units are granted for every year of service in full. For the working period beyond 15 years, one unit is granted for every year in full until the maximum limit of 45 units. The Company also has formed a Supervisory Committee of Labor Retirement Reserve and allocated an amount to the retirement reserve fund on a monthly basis.

- B. For those who are eligible for the new pension plan, the Company allocated 6% of the salary based on the Scale Tables of Monthly Deposit for Labor Pension to the retirement reserve fund. Once the employees reach the age of 60, they may apply for withdrawal from the Bureau of Labor Insurance themselves.

- (2) In terms of consolation measures:

If an employee dies of occupational injury or disease, the Company pays funeral subsidy equal to five months of average wage and a lump sum survivors compensation equal to forty months of average wage to his/her survivors. Condolence payment is given to those who die not of occupational injury or disease.

Various amounts of condolence payment are given according to the circumstances.

- (3) In terms of severance measures:
 - A. The issuance of severance is based on the service tenure. One month of average salary is given for every one year of service. For those who have not worked more than one year at the Company, the payment is at a prorated amount.
 - B. For those who select or are eligible for the new pension plan, the issuance of severance is based on the service tenure. Half month of average salary is given for every one year of service. For those who have not worked more than one year at the Company, the payment is at most limited to six months of average salary.
- 4. Working environment and personal safety protection measures: For the purpose of ensuring the protection for working environment and employee safety, the Company has continuously implemented the following measures:
 - (1) Environmental protection work: The factory has a wastewater treatment equipment to discharge wastewater from the manufacturing processes to the treatment plant of the industrial park through an effluent.
 - (2) Employee personal safety and protection:
 - A. Establish procedures for safety and health self-inspection, machinery inspection and maintenance, education and training, health examination, emergency response and firefighting drills, workplace and work rules, work permit, contractor management, standard operations and others.
 - B. Conduct comprehensive safety check and testing once a year for high-risk machinery and equipment.
 - C. Set up rules for the use of occupational safety gears and equipment so employees can properly wear their personal protective equipment, ensuring their own safety.
 - D. Job site permit, fire permit, permit-required confined space, locking permit form for electrical work, work at heights permit and other types of safety permits to ensure workers' safety.
 - E. Establish standard operating safety procedures for workers to abide by.
 - F. Conduct on-site work audit for all workers at least once a day. Report immediately if deficiencies with the facilities, work or environment are found, and implement remedies and improvements.
 - G. Conduct training sessions for employees' professional skills and certification based on the annual education and training program and schedule.
 - H. Assign on-site operators to participate in on-the-job training for 3 to 6 hours in accordance with their job characteristics and conduct regular health examination.
- 5. Regulation of employee conduct or formulation of ethical guidelines: The Company has formulated numerous employee management rules and regulations including work rules and Code of Ethical Conduct. All employees are required to sign a confidentiality agreement when reporting for duty. The Company strives to provide employees with a clear understanding of the rights and interests and relevant codes of conduct.
- (II) Any labor disputes or loss sustained as a result of labor disputes in the most recent fiscal year and up to February 28, 2022: None.

VI. Information and communication security management

- (1) Specify the information security risk management framework, the information security policy, the specific management plan, and the resources invested in the information security management.
 - 1. Information and communication security risk management framework and organizational structure

The Company has set up the Management Department to coordinate and discuss information security policies, plans, resource dispatch, and other matters, and designate senior managers to be responsible for the coordination and implementation of

information security management matters. The top information manager reports to the board of directors and the Audit Committee on the effectiveness of information security management and information security issues, and puts forth adjustments to information security policies. The Audit Office is responsible for reviewing and deciding on information security and information protection measures and policies as well as ensuring the effectiveness of information security management measures.

2. ICT security policy

To ensure the integrity, confidentiality, and availability of corporate data, we have formulated information security policies to regulate the division of responsibilities for information security, personnel management and information security education and training, computer system security management, network security management, system access control management, system development and maintenance security management, information asset security management, physical and environmental security management, business continuity plan management, and information security audit, while supervising the process and performing audits to ensure the continuous effectiveness of our information security regulations.

3. Specific management plan

- (1) All computers of the entire Company have been installed with anti-virus software and have been updated with virus codes on a regular basis. The Company has further set up a network firewall to prevent hackers, virus attacks and or any sorts of damage.
- (2) The Company has elaborately built a virtualized server environment along with a fault-tolerant environment to maximize availability. For the data backup of application software and database, the Company has adopted an automatic backup mechanism and a regular version to exercise the disaster recovery plan on an annual basis to minimize the potential risk.
- (3) The Company has developed system access control and password mechanisms to avoid potential information security risks.
- (4) The computer mainframe room has been equipped with sound access control system, redundant air conditioning equipment and backup uninterruptible power system protection. The temperature sensing alarm notification system is linked up to the automatic gas firefighting equipment to assure the uninterrupted normal operation of the system all the time.
- (5) The Company puts into implementation thoroughly information security advocacy to strengthen employees' personal awareness and watchfulness of information security to minimize potential human risks.

4. Information Security Management Strategy and Resources

- (1) The planning and establishment of a special organization for information security and its supervisors and dedicated personnel shall be reported by the personnel unit to the superior, and the decision-making of the board of directors is expected to be convened before the end of 2023 to complete the establishment.
 - (2) There are currently 5 information personnel involved in information security executive management. The work includes the management and maintenance of information security equipment, and information security education, training and publicity for personnel.
 - (3) Invest in information security equipment upgrade and replacement in 2021 and expect to establish an information system backup structure in 2022.
- (II) Please specify the losses and potential impacts caused by material information security incidents and countermeasures in the last year and up to the publication date of the annual report. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be specified: None.

VII. Major contracts

Major Agreements	Nature of agreement	Contract start and end dates	Term of Agreement	Limitation Article
Distributor contract	Dong-Fang Trading Co., Ltd.	<ol style="list-style-type: none"> 2021.1.1–2021.12.31 Both parties may agree to priority renewal upon the expiration of the contract The contract became effective in 1984 	<ol style="list-style-type: none"> Distribute products Quantity of distribution Price of distribution Sales region 	Party B shall not deal the same type of, similar or competitive products from other manufacturers.
Distributor contract	Chin Yee Chemical Industries Co., Ltd.	<ol style="list-style-type: none"> 2021.1.1–2021.12.31 Both parties may agree to priority renewal upon the expiration of the contract The contract became effective in 1984 	<ol style="list-style-type: none"> Distribute products Quantity of distribution Price of distribution Sales region 	Party B shall not deal the same type of, similar or competitive products from other manufacturers.
Distributor contract	Yuan Jen Enterprises Co., Ltd.	<ol style="list-style-type: none"> 2021.1.1–2021.12.31 Both parties may agree to priority renewal upon the expiration of the contract The contract became effective in 1984 	<ol style="list-style-type: none"> Distribute products Quantity of distribution Price of distribution Sales region 	Party B shall not deal the same type of, similar or competitive products from other manufacturers.
Distributor contract	Bun Hong Trading Co., Ltd.	<ol style="list-style-type: none"> 2021.1.1–2021.12.31 Both parties may agree to priority renewal upon the expiration of the contract The contract became effective in 1984 	<ol style="list-style-type: none"> Distribute products Quantity of distribution Price of distribution Sales region 	Party B shall not deal the same type of, similar or competitive products from other manufacturers.
Purchase contract	China Man-Made Fiber Corporation	<ol style="list-style-type: none"> 2020.7.1–2025.6.30 Automatic extension for one year if both parties do not negotiate to terminate the contract upon the expiration of the contract period. 	Purchase EO materials	In-house use, not for resale
Purchase contract	China Man-Made Fiber Corporation	<ol style="list-style-type: none"> 2020.7.1–2025.6.30 Automatic extension for one year if both parties do not negotiate to terminate the contract upon the expiration of the contract period. 	Purchase NP materials	In-house use, not for resale
Purchase contract	China Man-Made Fiber Corporation	<ol style="list-style-type: none"> 2020.7.1–2025.6.30 Automatic extension for one year if both parties do not negotiate to terminate the contract upon the expiration of the contract period. 	Contracts for the purchase of pure water, electricity, steam, and nitrogen and wastewater treatment.	In-house use, not for resale

Six. Financial summary

I. Condensed balance sheet and consolidated income statement information – International Financial Reporting Standards (IFRS)

(I) Condensed and individual balance sheet – International Financial Reporting Standards (IFRS)

Unit: NTD thousand

Year		Financial information for the latest 5 years (Note 1)				
		2017	2018	2019	2020	2021
Items						
Current assets		3,728,736	721,273	903,223	1,065,622	1,057,203
Property, plant and equipment (Note 2)		3,706,406	1,124,385	1,060,372	988,193	931,276
Intangible assets		3,728,736	325	190	55	184
Other assets		3,706,406	5,483,957	5,561,317	6,602,410	6,801,043
Total assets		3,728,736	7,329,940	7,525,102	8,656,280	8,789,706
Current liabilities	Before Distribution	2,091,866	2,150,594	1,983,620	2,165,031	2,245,910
	After Distribution	2,116,436	2,177,376	2,026,605	2,210,380	2,295,114
Non-current liabilities		708,973	561,178	975,630	857,505	718,057
Other liabilities		-	-	-	-	-
Total liabilities	Before Distribution	2,800,839	2,711,772	2,959,250	3,022,536	2,963,967
	After Distribution	2,825,409	2,738,554	3,002,235	3,067,885	3,013,171
Capital stock		2,457,063	2,678,198	2,865,672	3,023,284	3,280,263
Capital surplus		872,725	872,725	872,725	872,725	872,725
Retained earnings	Before Distribution	862,685	917,364	996,022	1,088,352	1,126,609
	After Distribution	616,979	703,108	795,425	786,024	831,385
Other equity		51,360	149,881	(168,567)	649,383	546,142
Treasury stock		-	-	-	-	-
Total equity	Before Distribution	4,243,833	4,618,168	4,565,852	5,633,744	5,825,739
	After Distribution	4,219,263	4,591,386	4,522,867	5,588,395	5,776,535

Note 1: The financial information for the most recent years has been audited by accountant.

Note 2: For those who have revaluation of assets in the current year, specify the revaluation date and the value of appreciation.

Note 3: The figures above after distribution are entered according to the resolution adopted by the board of directors or the shareholders' meeting in the following year.

Note 4: For the financial data corrected or recomposed internally upon the notice of the competent authorities, the corrected or recomposed amount should be applied to prepare the financial report with the fact and reason for correction or re-composition noted.

(II) Condensed and individual income statement – International Financial Reporting Standards (IFRS)

Expressed in Thousand NT Dollars [Except earnings(loss) per share]

Items	Year	Financial information for the latest 5 years (Note 1)				
		2017	2018	2019	2020	2021
Operating revenue		1,513,128	1,856,511	1,711,425	1,457,681	1,727,577
Gross profit		65,952	92,989	148,828	145,525	193,591
Operating gains (losses)		(13,957)	(2,513)	48,391	41,846	70,146
Non-operating gain and loss in expenses		172,347	248,462	249,509	214,456	277,272
Profit before tax		158,390	245,949	297,900	256,302	347,418
Income (loss) of the continuing business units		158,390	245,949	297,900	256,302	347,418
Profit or loss from discontinued operations		-	-	-	-	-
Net income		152,066	247,122	290,294	247,931	342,978
Current period other comprehensive profit or loss		364,439	110,765	(315,828)	876,339	(100,196)
Current period other comprehensive income (Gross)		516,505	357,887	(25,534)	1,124,270	242,782
Earnings per share		0.57	0.86	0.96	0.76	1.05

Note 1: Any year that has not been audited and attested by CPAs should be noted.

Note 2: Income (loss) of the continuing business units and profit or loss from discontinued operations are presented in net amounts after tax.

Note 3: For the financial data corrected or recomposed internally upon the notice of the competent authorities, the corrected or recomposed amount should be applied to prepare the financial report with the fact and reason for correction or re-composition noted.

(III) Names and opinions of auditors:

Year	CPA	Audit opinions
2017	Oscar Shih, Jin-Yen Wang	Unqualified opinion
2018	Oscar Shih, Wen-Ya Hsu	Unqualified opinion
2019	Wen-Ya Hsu, Oscar Shih	Unqualified opinion
2020	Wen-Ya Hsu and Su-Huan Yu	Unqualified opinion
2021	Wen-Ya Hsu and Su-Huan Yu	Unqualified opinion

II. Financial analysis for the last five years – International Financial Reporting Standards (IFRS) –Individual (physical) financial analyses

Analytical items		Year	Financial analysis for the latest 5 years				
			2017	2018	2019	2020	2021
Financial structure (%)	Debt to assets ratio		39.76	37.00	39.33	34.92	33.72
	Long-term fund to property, plant and equipment ratio		417.37	460.64	522.60	656.88	702.67
Solvency (%)	Current ratio		35.45	33.54	45.53	49.22	47.07
	Liquid ratio		25.44	23.59	34.70	43.08	36.06
	Interest coverage ratio		5.63	7.78	9.13	8.08	11.92
Operating ability	Account receivable turnover (times)		8.75	11.05	9.81	7.12	8.39
	Number of days when accounts receivable is collected		41.71	33.03	37.21	51.26	43.50
	Inventory turnover (times)		7.33	8.78	7.81	8.37	9.20
	Average payables turnover (times)		7.66	10.98	8.44	7.42	10.13
	Average inventory turnover days		49.79	41.57	46.73	43.60	39.67
	Property, plant, and equipment turnover (times)		1.28	1.65	1.57	1.42	1.80
	Total assets turnover (times)		0.21	0.25	0.23	0.17	0.20
Profitability	Return on assets (%)		2.66	3.84	4.30	3.42	4.22
	ROE (%)		3.81	5.58	6.32	4.86	5.99
	Ratio to issued capital stock (%)	Operating profit	(0.57)	(0.09)	1.69	1.38	2.14
		Income before taxation	6.45	9.18	10.40	8.48	10.59
	Net profit rate (%)		10.05	13.31	16.96	17.01	19.85
	Earnings per share (NTD)		0.57	0.86	0.96	0.82	1.05
Cash flows	Cash flow ratio (%)		2.69	7.29	11.53	5.24	7.06
	Cash flow adequacy ratio (%)		533.83	430.28	482.46	418.92	335.55
	Cash flow reinvestment ratio (%)		1.14	3.03	3.65	1.09	1.73
Leverage	Operating leverage		0.55	(1.57)	1.19	1.12	1.08
	Financial leverage		0.29	0.06	4.11	7.38	1.83
Reasons for changes in various financial ratios in the last two years: (The increase or decrease in excess of 20%)							
1. Interest coverage ratio increased as the operating profit, investment under the equity method, and dividends increased in this period.							
2. Average payables turnover increased as the cost of sales increased and the average accounts payable decreased in this period.							
3. Property, plant, and equipment turnover increased as net sales and average net fixed assets decreased in this period.							
4. Increase in return rate on assets: As a result of the increase in profits and losses after tax in current period.							
5. Return rate on shareholders' equity increased as the profits and losses after tax increased in this period.							
6. Operating profit and pre-tax income to paid-in capital increased in this period as the operating profit and income before taxation increased in this period.							
7. Increase in earnings per share: As a result of the increase in profits and losses after tax in current period.							
8. Cash flow ratio increased as the net cash flow from operating activities increased in this period.							
9. Cash reinvestment ratio increased as the net cash flow from operating activities increased in this period.							
10. Financial leverage decreased as the operating profit increased and interest expenses decreased in this period.							

The financial analysis formulas are as follows:

1. Financial structure
 - (1) $\text{Liabilities to total assets} = \text{Total liabilities} / \text{total assets.}$
 - (2) $\text{Ratio of long-term capital to property, plant and equipment} = (\text{Total equities} + \text{noncurrent liabilities}) / \text{property, plant and equipment.}$
2. Solvency
 - (1) $\text{Current ratio} = \text{current assets} / \text{current liabilities.}$
 - (2) $\text{Quick ratio} = (\text{current assets} - \text{inventories} - \text{prepaid expense}) / \text{current liabilities}$
 - (3) $\text{Interest coverage ratio} = \text{net profit before interest and tax} / \text{interest expenses for the current period.}$
3. Operating ability
 - (1) $\text{Receivable (including accounts receivable and notes receivable arising from business operation) Turnover} = \text{Net sales} / \text{average receivable (including accounts receivable and notes receivable arising from business operation) balance}$
 - (2) $\text{Days sales in account receivable} = 365 / \text{Account receivable turnover (times)}$
 - (3) $\text{Inventory turnover (times)} = \text{Cost of goods sold} / \text{average inventory amount}$
 - (4) $\text{Payable (including accounts payable and notes payable arising from business operation) Turnover} = \text{Cost of goods sold} / \text{Average payable (including accounts payable and notes payable arising from business operation) balance}$
 - (5) $\text{Average days in sales} = 365 / \text{Inventory turnover (times)}$
 - (6) $\text{Property, plant, and equipment turnover (times)} = \text{Net sales} / \text{Net average property, plant, and equipment}$
 - (7) $\text{Total assets turnover (times)} = \text{Net sales} / \text{Average total assets}$
4. Profitability
 - (1) $\text{Return on assets} = (\text{after tax net profit} + \text{interest expenses} \times (1 - \text{tax rate})) / \text{average asset balance.}$
 - (2) $\text{Return on shareholders' equity} = \text{after tax net profit} / \text{total average equity.}$
 - (3) $\text{Profit ratio} = \text{net income} / \text{net sales}$
 - (4) $\text{Earnings per share} = (\text{profits or loss attributable to owners of the parent company} - \text{preferred stock dividend}) / \text{weighted average stock shares issued}$
5. Cash flow
 - (1) $\text{Cash flow ratio} = \text{net cash flow from operating activities} / \text{current liabilities.}$
 - (2) $\text{Cash flow adequacy ratio} = \text{net cash flow from operating activities within five years} / (\text{capital expenditure} + \text{inventory increase} + \text{cash dividend}) \text{ within five years}$
 - (3) $\text{Cash re-investment ratio} = (\text{net cash flow from operating activity} - \text{cash dividend}) / (\text{gross property, plant, and equipment} + \text{long-term investment} + \text{other noncurrent assets} + \text{working capital})$
6. Leverage:
 - (1) $\text{Operating leverage} = (\text{Net operating revenue} - \text{variable operating costs and expenses}) / \text{Operating profit}$
 - (2) $\text{Financial leverage} = \text{Operating profit} / (\text{Operating profit} - \text{interest expense})$

III. Audit Committee' Review Report

Audit Committee' Review Report

The board of directors has submitted the Company's 2021 business and financial reports and profit distribution table have been audited and validated by the certified public accounts, Wen-Ya Hsu and Su-Huan Yu, of Deloitte Taiwan. The reports are to be presented in accordance with Article 14-4 of the Securities and Exchange Act.

To:

The 2022 Annual General Shareholders' Meeting

Audit Committee

Convener: Lung-Teng Chen

March 14, 2022

IV. Auditor's report, individual financial report and summary of notes for the most recent fiscal year

Independent Auditor's Audit Report

To Pan Asia Chemical Corporation:

Audit opinions

We have audited the accompanying balance sheet of Pan Asia Chemical Corporation as of December 31, 2021 and 2020, and the related statement of income, statement of changes in shareholders equity, statement of cash flows, and Note of the financial statements (including major accounting policy) for the years then ended.

According to our certified public accountant opinions, the aforementioned financial statements have been prepared for all material aspects in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards Board (IASB), interpretation and interpretation public announcement promulgated by and validated under Regulations Governing the Preparation of Financial Reports by Securities Issuers and acknowledged by the Financial Supervisory Commission, adequate enough to fairly express the financial conditions of Pan Asia Chemical Corporation as of December 31, 2021 and 2020 and financial performance and cash flow status of Pan Asia Chemical Corporation during January 1–December 31, 2021 and 2020.

The basis for opinions

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the financial statements. We are independent of Pan Asia Chemical Corporation in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of Pan Asia Chemical Corporation, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the financial statements of Pan Asia Chemical Corporation in 2021. These matters were addressed in the content of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit procedures of the financial statements of Pan Asia Chemical Corporation in 2021 included:

Recognition of sales revenues of specific targets.

Pan Asia Chemical Corporation's primarily engages in such business as manufacturing and processing of various non-ionic surfactants, trading and import and export business, which could be divided into two parts: Ethylene oxide derivative products and esterified products. Under the Auditing Standards Bulletin prevalent in Taiwan, the revenue is recognized as having a risk of fraud. Accordingly, the sales revenues received from application sales targets are deemed an issue for key audit. On revenue recognition accounting policy and department revenue and operating result, please refer to Notes 4 and 34 of Notes to Financial Statements for more details.

Pursuant to the consideration of Pan Asia Chemical Corporation's industrial characteristics and primary operating conditions in recent years, we, the certified public accountant, perform the following procedures to respond to potential audit risks:

1. Looking into, evaluating and testing the effectiveness of the design and implementation of the internal control system related to revenue recognition.
2. We obtained the sales revenue details of the specific sales objects in the year 2021, and sample audited the original purchase orders, shipping orders, invoices and other related documents of the subject transactions, and further checked with the entered amounts to confirm the authenticity of the revenues.
3. Sampling inspection of the circumstances of sales returns and discounts and the collection after the periods to confirm the reasonableness of revenue recognition.

Responsibilities of Management and Those in Charge with Governance of the Financial Statements

The management is supposed to assume the responsibility to prepare and maintain financial statements that are rationally expressed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), explanation and explanatory announcement acknowledged and promulgated by the Financial Supervisory Commission with effort to maintain the necessary internal control system to assure that the financial statements are free of existence of fraudulent or erroneous material expression.

In preparing the financial statements, the management is responsible for assessing the ability of Pan Asia Chemical Corporation as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate Pan Asia Chemical Corporation or to create operations, or has no realistic alternative but to do so.

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of Pan Asia Chemical Corporation.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design, and perform audit procedures responsive risks, and obtain evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in Pan Asia Chemical Corporation.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the

management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Pan Asia Chemical Corporation and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause Pan Asia Chemical Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure, and content of the statements, including related notes, whether the statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the financial statements of Pan Asia Chemical Corporation of 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Deloitte & Touche

Hsu Wen-Ya, CPA

Hsu Su-Huan Yu

Securities and Futures Commission Approval No.
Tai-Tsai-Cheng (VI) No. 0920123784

Securities and Futures Commission Approval No.
Tai-Tsai-Cheng (VI) No. 0920123784

March 14, 2022

Pan Asia Chemical Corporation
Balance Sheets
December 31, 2021 and 2020

Unit: NTD thousand

Code	Assets	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4, 6 and 26)	\$ 516,151	6	\$ 632,489	7
1110	Financial assets through profit and/or loss with measuring for the faire values-current (Note 4, 7 and 26)	76,538	1	62,072	1
1150	Notes receivable (Note 4 and 10)	18,205	-	17,096	-
1170	Accounts receivable (Note 4 and 10)	176,317	2	199,850	2
1180	Accounts receivable - related parties (Note 10 and 26)	164	-	-	-
1200	Other receivable (Note 4, 10 and 26)	7,792	-	6,085	-
1310	Inventory (Note 4 and 11)	217,599	3	115,840	2
1410	Prepayments	29,800	-	17,191	-
1470	Other current assets (Note 12 and 27)	14,637	-	14,999	-
11XX	Total current assets	<u>1,057,203</u>	<u>12</u>	<u>1,065,622</u>	<u>12</u>
	Non-Current assets				
1517	Financial assets at fair value through other comprehensive income-non-current (Note 4, 8, 9 and 27)	3,196,871	36	3,300,544	38
1550	Investment by equity method (Note 4, 13 and 26)	3,565,269	41	3,260,307	38
1600	Real estates, plant and equipment - net (Notes 4, 14 and 327)	931,276	11	988,193	12
1755	Right-of-use assets (Note 4 and 15)	2,825	-	8,519	-
1780	Intangible assets – net (Note 4 and 16)	184	-	55	-
1840	Deferred income tax assets – net (Notes 4 and 24)	9,111	-	6,102	-
1900	Other assets (Note 4 and 17)	26,967	-	26,938	-
15XX	Total non-current assets	<u>7,732,503</u>	<u>88</u>	<u>7,590,658</u>	<u>88</u>
1XXX	Total assets	<u>\$ 8,789,706</u>	<u>100</u>	<u>\$ 8,656,280</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Note 18)	\$ 1,010,000	12	\$ 980,000	11
2110	Short-term bills payable (Note 18)	450,000	5	400,000	5
2170	Accounts payable	46,093	1	37,840	-
2180	Accounts payable - related parties (Note 26)	125,853	1	93,043	1
2200	Other payables (Note 49 and 26)	57,408	1	48,898	1
2230	Current income tax liability (Notes 4 and 24)	5,438	-	39	-
2280	Lease liabilities – current (Note 4, 15 and 26)	2,883	-	5,710	-
2320	Long-term liability due in one year or one business cycle (Note 18 and 27)	519,000	6	579,000	7
2399	Other current liabilities	29,235	-	20,501	-
21XX	Total of current liabilities	<u>2,245,910</u>	<u>26</u>	<u>2,165,031</u>	<u>25</u>
	Non-current liabilities				
2540	Long-term loans (Note 18 and 27)	653,000	7	791,000	9
2570	Deferred tax liabilities (Note 4 and 24)	40,896	1	40,896	1
2580	Lease liabilities – non-current (Note 4, 15 and 26)	-	-	2,883	-
2640	Defined benefit liabilities (Note 4 and 20)	22,161	-	20,726	-
2645	Deposits received (Note 29)	2,000	-	2,000	-
25XX	Total non-current liability	<u>718,057</u>	<u>8</u>	<u>857,505</u>	<u>10</u>
2XXX	Total liabilities	<u>2,963,967</u>	<u>34</u>	<u>3,022,536</u>	<u>35</u>
	Equity (Note 4, 8 and 21)				
3110	Common stock capital	3,280,263	37	3,023,284	35
3200	Capital surplus	872,725	10	872,725	10
	Retained earnings				
3310	Legal reserve	247,932	3	218,640	3
3320	Special reserve	123,164	1	168,568	2
3350	Undistributed earnings	755,513	9	701,144	8
	Other equity				
3410	Exchange differences from the translation of financial statements of foreign operations	(4,730)	-	(6,739)	-
3420	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	550,872	6	656,122	7
3XXX	Total equity	<u>5,825,739</u>	<u>66</u>	<u>5,633,744</u>	<u>65</u>
	Total Liabilities and Equity	<u>\$ 8,789,706</u>	<u>100</u>	<u>\$ 8,656,280</u>	<u>100</u>

The notes attached shall constitute an integral part of this financial statement.

Chairman: Kuei-Hsien Wang

Manager: Jeh-Yi Wang

Accounting Head: Wen Yu-Tao

Pan Asia Chemical Corporation
Statement of comprehensive income
January 1 to December 31, 2021 and 2020

Unit: NTD thousands, except Earnings Per Share (NTD)

Code		2021		2020	
		Amount	%	Amount	%
4000	Operating income (Note 4, 22 and 26)	\$ 1,727,577	100	\$ 1,457,681	100
5000	Operating expenses (Note 11, 20, 23 and 26)	<u>1,533,986</u>	<u>89</u>	<u>1,312,156</u>	<u>90</u>
5900	Gross profit	<u>193,591</u>	<u>11</u>	<u>145,525</u>	<u>10</u>
	Operating expenses (Note 11, 23 and 26)				
6100	Marketing expenses	70,949	4	51,294	3
6200	Administration expenses	52,736	3	52,126	4
6450	Expected credit impairment (reversal gain) losses (Note 4 and 10)	(<u>240</u>)	-	<u>259</u>	-
6000	Total operating expenses	<u>123,445</u>	<u>7</u>	<u>103,679</u>	<u>7</u>
6900	Net Operating Income	<u>70,146</u>	<u>4</u>	<u>41,846</u>	<u>3</u>
	Non-operating revenues and expenses				
7050	Financial cost (Note 23 and 26)	(31,814)	(2)	(36,178)	(3)
7060	Shareholding in the affiliated companies and joint ventures under the equity method (Note 4 and 13)	267,035	15	230,860	16
7100	Interest revenue (Note 26)	7,912	1	8,707	1
7130	Dividend income	26,082	2	642	-
7010	Other income (Note 23, 26 and 29)	4,738	-	16,165	1
7235	The profit in financial assets at fair value through profit and loss	14,466	1	14,485	1
7590	Miscellaneous income	(110)	-	(80)	-
7610	Losses from disposal of property or equipment	(358)	-	(284)	-
7630	Foreign exchange gain (loss) – net	(<u>10,679</u>)	(<u>1</u>)	(<u>19,861</u>)	(<u>1</u>)
7000	Total non-operating revenues and expenses	<u>277,272</u>	<u>16</u>	<u>214,456</u>	<u>15</u>
7900	Income before tax from continuing operations	347,418	20	256,302	18
7950	Income tax expenses (Note 4 and 24)	(<u>4,440</u>)	-	(<u>8,371</u>)	(<u>1</u>)
8200	Net income	<u>342,978</u>	<u>20</u>	<u>247,931</u>	<u>17</u>
	Other comprehensive income (Note 4, 13, 20 and 24)				
8310	The items that are not re-classified as profit or loss				
8311	Reevaluation of determined benefit plan	(2,294)	-	(2,320)	-
8316	Unrealized valuation gains or losses of equity instruments investments in financial assets measured at FVTOCI	(99,541)	(6)	847,664	58
8320	The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss	17,418	1	13,159	1
8349	Incomes tax related to titles not subject to reclassification	459	-	464	-
	Items that may be re-classified subsequently under profit or loss				
8367	Unrealized valuation gain and loss of debt instruments investments in financial assets measured at FVTOCI	(4,052)	-	4,052	-
8370	The share of other comprehensive investment in affiliated enterprise(s) and joint venture recognized using the equity method-items likely to be reclassified to profits and losses	(<u>12,186</u>)	(<u>1</u>)	<u>13,320</u>	<u>1</u>
8300	Current period other comprehensive income (post-tax profit or loss)	(<u>100,196</u>)	(<u>6</u>)	<u>876,339</u>	<u>60</u>
8500	Current period other comprehensive income (Gross)	<u>\$ 242,782</u>	<u>14</u>	<u>\$ 1,124,270</u>	<u>77</u>
	Earnings per share (Note 25)				
	Business units in continuing operation				
9710	Basic	<u>\$ 1.05</u>		<u>\$ 0.76</u>	
9810	Diluted	<u>\$ 1.04</u>		<u>\$ 0.76</u>	

The notes attached shall constitute an integral part of this financial statement.

Chairman: Kuei-Hsien Wang

Manager: Jeh-Yi Wang

Accounting Head: Wen Yu-Tao

Pan Asia Chemical Corporation
Statement of changes in equity
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

Code		Capital stock		Retained earnings			Other equity		Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	
A1	Balance as of January 1, 2020	\$ 2,865,672	\$ 872,725	\$ 189,610	\$ 123,164	\$ 683,248	(\$ 5,340)	(\$ 163,227)	\$ 4,565,852
	The 2019 appropriation and distribution of earnings								
B1	Legal reserve appropriated	-	-	29,030	-	(29,030)	-	-	-
B3	Special reserve appropriated	-	-	-	45,404	(45,404)	-	-	-
B5	Cash dividends	-	-	-	-	(42,984)	-	-	(42,984)
B9	Stock dividends	157,612	-	-	-	(157,612)	-	-	-
D1	2020 Profit	-	-	-	-	247,931	-	-	247,931
D3	Other comprehensive profit and loss after tax in 2020	-	-	-	-	(1,944)	(1,399)	879,682	876,339
D5	Total comprehensive profit and loss in 2020	-	-	-	-	245,987	(1,399)	879,682	1,124,270
C7	Changes of the associates and joint ventures recognized under the Equity Method (Note 13)	-	-	-	-	(13,019)	-	(375)	(13,394)
Q1	Disposal of equity instrument investments measured at fair value through other comprehensive income:	-	-	-	-	59,958	-	(59,958)	-
Z1	Balance as of December 31, 2020	3,023,284	872,725	218,640	168,568	701,144	(6,739)	656,122	5,633,744
	The 2020 appropriation and distribution of earnings								
B1	Legal reserve appropriated	-	-	29,292	-	(29,292)	-	-	-
B5	Cash dividends	-	-	-	-	(45,349)	-	-	(45,349)
B9	Stock dividends	256,979	-	-	-	(256,979)	-	-	-
B17	Reversal of special reserve	-	-	-	(45,404)	45,404	-	-	-
D1	2021 Profit	-	-	-	-	342,978	-	-	342,978
D3	Other comprehensive profit and loss after tax in 2021	-	-	-	-	2,851	2,009	(105,056)	(100,196)
D5	Total comprehensive profit and loss in 2021	-	-	-	-	345,829	2,009	(105,056)	242,782
C7	Changes of the associates and joint ventures recognized under the Equity Method (Note 13)	-	-	-	-	(5,321)	-	(117)	(5,438)
Q1	Disposal of equity instrument investments measured at fair value through other comprehensive income:	-	-	-	-	77	-	(77)	-
Z1	Balance as of December 31, 2021	\$ 3,280,263	\$ 872,725	\$ 247,932	\$ 123,164	\$ 755,513	(\$ 4,730)	\$ 550,872	\$ 5,825,739

The notes attached shall constitute an integral part of this financial statement.

Chairman: Kuei-Hsien Wang

Manager: Jeh-Yi Wang

Accounting Head: Wen Yu-Tao

Pan Asia Chemical Corporation
Statement of Cash Flows
January 1 to December 31, 2021 and 2020

		Unit: NTD thousand	
Code		2021	2020
	Cash flow from operating activities		
A10000	Current year net profit before taxation	\$ 347,418	\$ 256,302
A20010	Profits and loss		
A20100	Depreciation expenses	74,034	80,757
A20200	Amortization expenses	66	135
A20300	Expected credit impairment (reversal benefit) loss	(240)	259
A20400	Net benefit of financial assets measured at fair value through profit and loss	(14,466)	(14,485)
A20900	Financial costs	31,814	36,178
A21200	Interest revenue	(7,912)	(8,707)
A21300	Dividend income	(26,082)	(642)
A22300	Shareholding in profit or loss of affiliated company and joint ventures under the equity method	(267,035)	(230,860)
A22500	Loss on disposal and scrapping of property, plant and equipment	358	284
A23200	Loss (gains) from disposal of investment accounted for using equity method	15	(258)
A30000	Net change in operating assets and liabilities		
A31150	Accounts receivable	20,793	(20,581)
A31200	Inventory	(101,759)	82,006
A31230	Prepayments	(12,609)	(174)
A31240	Other current assets	(12)	-
A32150	Payables	49,580	(99,410)
A32230	Other current liabilities	8,734	3,684
A32240	Net determined benefit liability	(859)	(735)
A33000	Cash generated from operating activities	101,838	83,753
A33100	Interest received	7,912	8,707
A33200	Dividends received	82,303	60,133
A33300	Interest payment	(31,821)	(36,218)
A33500	Income tax payment	(1,591)	(3,018)
AAAA	Net cash inflow from operating activities	<u>158,641</u>	<u>113,357</u>
	Cash flow from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive profit or loss	(836)	(5,562)
B00020	Disposal of financial assets at fair value through other comprehensive profit or loss	916	95,945
B00030	De-capitalization refunded monies of financial assets at fair value through other comprehensive profit or loss (decrease)	-	1,320
B01800	Acquisition of investment under the equity method	(94,369)	(109,560)
B02700	Purchase of property, plant, and equipment	(11,781)	(2,907)
B04500	Acquisition of intangible assets	(195)	-
B06500	Decrease (increase) in other current assets	374	(13,499)
B03700	Increase in refundable deposits	(29)	(32)
BBBB	Net cash outflow from investing activities	<u>(105,920)</u>	<u>(34,295)</u>
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	30,000	330,000
C00500	Increase in short-term notes payable	50,000	-
C01600	Proceeds from long-term loan	50,000	150,000
C01700	Re-payments of long-term borrowings	(248,000)	(314,000)
C04020	Repayment of rental principal	(5,710)	(5,883)
C04500	Cash dividend released	(45,349)	(42,984)
CCCC	Net cash inflow (outflow) from financing activities	<u>(169,059)</u>	<u>117,133</u>
EEEE	Amounts of increase (decrease) in cash & cash equivalents	(116,338)	196,195
E00100	Balance of cash and cash equivalents, beginning of period	<u>632,489</u>	<u>436,294</u>
E00200	Balance of cash and cash equivalent, end of period	<u>\$ 516,151</u>	<u>\$ 632,489</u>

The notes attached shall constitute an integral part of this financial statement.

Chairman: Kuei-Hsien Wang

Manager: Jeh-Yi Wang

Accounting Head: Wen Yu-Tao

Individual financial statement and notes.

January 1 to December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars, Unless Otherwise Noted)

1. Company Profile

Pan Asia Chemical Corporation (hereinafter referred to as the Company) was incorporated on April 6, 1982 and was officially approved for listing in over-the-counter exchanges on May 20, 1998. The Company primarily engages in such business as manufacturing and processing, trading and import and export trade business for a variety of non-ionic surfactants.

The Company's ultimate parent company and ultimate controller is China Man-Made Fiber Corporation Co., Ltd., which held 44% of the Company's common shares as of December 31, 2021 and 2020.

This financial report is presented using the Company's functional currency.

2. Financial reporting date and procedures

The financial statements were approved for publication by the board of directors on March 14, 2022.

3. Application of new and revised standards and interpretation

(1) The Company has applied the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) Interpretations (abbreviated collectively as "IFRSs") endorsed and published by the Financial Supervisory Commission (abbreviated as "the FSC" in the following context) for the first time.

The IFRSs to which the amendment is applicable and recognized and promulgated to take effect by the Financial Supervisory Commission, R.O.C. (Taiwan) will not cause major changes in the company's accounting policy.

(2) Applicable FSC-approved IFRSs as of 2022

<u>The new/amended/revised standards or interpretation</u>	<u>Effective Date per IASB</u>
"IFRSs 2018 – 2020 annual improvement"	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
IAS 16 amended "Real estate and plants and equipment: reaching the price before the scheduled use status."	January 1, 2022 (Note 3)
IAS 37 amended "Onerous contracts-cost for contract fulfillment."	January 1, 2022 (Note 4)

Note 1: IFRS 9 amended is applicable for financial liability exchange or clause modifications during the annual report period after January 1, 2022; IAS 41 amended "Agriculture" is applicable for the fair value measurement commenced during the annual reporting period after January 1, 2022; IFRS 1 The IFRSs amended for the first time is applicable for the annual reporting period after January 1, 2022.

Note 2: This amendment is applicable for enterprise mergers whose acquisition date is after January 1, 2022 during the annual reporting period.

Note 3: This amendment is applicable for plants, real estate, and equipment whose venue and status necessarily reaching the management level's expected operational methods only after January 1, 2021.

Note 4: This amendment is applicable for contracts whose obligations have not yet been fulfilled on January 1, 2022.

As of the date of publication of this financial report, the Company has evaluated that the amendments to the above standards and interpretations will not have a material impact on the financial position and financial performance.

- (3) The IFRSs released by the IASB but not yet approved and announcement effective by the Financial Supervisory Commission

The new/amended/revised standards or interpretation	IASB publication effective date (Note 1)
Amendment to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates."	Undefined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
IAS 1 amended "Disclosure of accounting policies."	January 1, 2023 (Note 2)
IAS 8 amended "Definition of accounting estimations."	January 1, 2023 (Note 3)
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023 (Note 4)

Note 1: Unless otherwise specified, the aforementioned newly corrected/amended standards or interpretations come to effect during the annual reporting period starting after respective dates.

Note 2: This amendment is applicable for annual reporting period extension commenced after January 1, 2023.

Note 3: This amendment is applicable for changes in accounting estimation and accounting policy occurring during the annual reporting period after January 1, 2023.

Note 4: The amendments apply to transactions occurring on or after January 1, 2022, except for the recognition of deferred tax for temporary differences related to leases and decommissioning obligations on January 1, 2022.

1. IAS 1 amended "Disclosure of accounting policies."

The said amendment expressly stipulates that the Company should determine the significant accounting policy information that should be disclosed based on the definition of materiality. If the accounting policy information can be reasonably expected to affect the main users of financial statements for general purpose who use the said financial statements as the basis for making decisions. Amendment and Clarification:

- The accounting policy information related to non-significant transactions, other issues or circumstances is attributed as non-significant and the Company is not required to disclose such information.
- The Company may judge and determine that the relevant accounting policy information is significant as a result of the attribute of the transaction, other issues or circumstances even if the amount is not significant.
- All accounting policy information not related to major transactions, other matters, or situations is considered major.

In addition, the amendment also cites examples to explain if the accounting policy information is related to major transactions or others matters or situations and that the following situations occur, the said information may be considered major:

- (1) The Company changed its accounting policy during the reporting period where such change resulted in a significant change in the financial statement information;
- (2) The Company selects its own applicable accounting policy from the provided options allowed by the standard;
- (3) Amidst the inadequate specific standards, the Company has established accounting policies in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
- (4) The Company discloses relevant accounting policies where it shall adopt significant judgments or assumptions to determine; or

- (5) involves complex accounting disposal regulations and financial statement users' dependence on information on the said information to understand major transactions, or other matters or situations.

2. IAS 8 amended "Definition of accounting estimations."

The said amendment expressly specifies that the accounting estimate refers to the monetary amount affected by measurement uncertainty amidst the financial statements. Where the Company is subject to the accounting policies, it might possibly be required to measure financial statement items with monetary amounts that cannot be directly observed and must be estimated instead. Accordingly, it is necessary to use measurement techniques and input values to establish accounting estimates to accomplish such purpose. Where the impact of changes in measurement technology or input values on accounting estimates is not a correction toward a preceding error, these changes are attributed to changes in accounting estimates.

Apart from the impacts mentioned above, the Company continues to evaluate how revisions of other standards and interpretations affect its financial position and business performance as of the publication date of this financial report. Outcomes of these assessments will be disclosed upon completion.

4. Summary of important accounting policies

(1) Compliance Statement

This financial statement is prepared in accordance with "Regulation Governing the Preparation of Financial Reports by Securities Issuers" and IFRSs approved and announced effective by FSC.

(2) Basis of preparation

Except for a financial instrument measured at the fair value and such net confirmed welfare liabilities recognized at the fair value of planned assets deducted with the present value of confirmed welfare obligations, this financial statement is prepared on a historical cost basis.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input: Referred to as those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. Level 3 input value: the unobservable input value of asset or liability.

(3) Current and non-current assets and liabilities

Current assets including:

1. Assets held mainly for trading purpose;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (not including those that are limited to exchange or repay liabilities exceeding 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held for trading purposes;
2. The liabilities to be liquidated upon due within 12 months after the balance sheet date (those with long-term refinancing or payment term rearrangement completed from the balance sheet date to the financial reports approved and published date are also classified as current liabilities), and
3. Liabilities with the repayment deadline that cannot be unconditionally deferred to at least 12 months after the balance sheet date. Where the liabilities might be paid off at the discretion of the other party through the tools of the issuance equity, the classification would remain unaffected.

For those that are not current assets or liabilities above are classified as non-current assets or liabilities.

(4) Foreign Currency

Where the Company prepares financial statement, the transactions in currencies other than the Company's functional currency (foreign currency) shall be converted into functional currency records based on the exchange rate quoted on the transaction day.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. The exchange differences arising from the settlement of monetary items or translating monetary items are recognized in the current profit or loss.

The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as current profit or loss. However, for the changes in fair value recognized in the other comprehensive profit or loss, the exchange difference is recognized in the other comprehensive profit or loss.

The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

(5) Inventory

Inventories include raw materials, supplies, work-in-progress, products contracted to be processed, finished goods and products. Inventory is valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. Net realizable value refers to the estimated sale price under normal circumstances net of the estimated cost needed to complete the project and the estimated expenses needed to complete the sale. The cost of inventory is calculated using the weighted average method.

(6) Investments in the affiliated company

The term "affiliated enterprise" as set forth herein denotes a company that has significant influence upon the Company but is not a subsidiary.

The Company adopts equity method for investment in associates.

Under the equity method, investments in the affiliated companies were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the affiliated company and other comprehensive profit or loss. In addition, the changes in the equity of affiliates shall be recognized in proportion to the proportion of shareholding.

When associates issue new shares, if the Company fails to subscribe stock share proportionally to their shareholding, resulting in changes in shareholding ratio and thus causing changes in net equity investment, the increase or decrease amount should be adjusted to the additional paid-in capital – recognizing changes in net equity of associates under the equity method and investment under equity method. If the Consolidated Company did not subscribe to the new shares pro rata to the shareholding percentages and led to a decrease of the shareholding percentages subscribed to or obtained from the associate, nevertheless, the amount of other comprehensive income so recognized was reclassified pro rata to the decrease ratio in the associate. The accounting management was on the grounds same as the grounds the associate must comply with if it directly disposed assets or liabilities. If the aforementioned adjustment must be debited into capital reserve where the balance of capital reserve yielded by the investment in equity method, the difference was debited as retained earnings.

In the event that the Company's shares of loss in the associates equal to or exceed its equity in the associates (including the book value of investment in the associates in equity method and other long-term interest of the Consolidated Company in the investment composition of the associates), the Company discontinued recognition of the further losses. The Company recognized extra losses and liabilities only in the event of occurrence of legal obligations, presumed obligations or within the scope that the Consolidated Company had made payment on behalf of the associate.

Upon evaluation of an impairment, the Company deems the overall book value of an investment (including goodwill) as a single asset to compare the recoverable amount with the book amount. Meanwhile, it conducts an impairment test. The recognized impairment loss is not allocated to the component of the any assets in the investment book amount. Any reversal of the impairment loss can be recognized within the range of the recoverable amount of the subsequently increased investment.

The Company ceases to adopt an equity method on the day while its investment is no longer an affiliated company and its retained equity in the original affiliated company and the original joint venture is measured at the fair value. That fair value and the disposal price and the book value of the investment on the day when the equity method ceases to be adopted. Such difference is counted into the current profit and loss. Besides this, all relevant amounts relevant to the associates recognized in other comprehensive income were managed on the accounting grounds same as the grounds which it should comply with if the associates directly disposed the relevant assets or liabilities.

(7) Property, plant and equipment

Real property, plant and equipment are recognized as costs, and they will be measured by the amount after the costs less the amount of accumulated depreciation and accumulated impairment losses afterwards.

Except for self-owned land, the property, plant, and equipment are depreciated by significant parts over their useful lives on a straight-line basis. If the lease period is shorter than the durable period of an asset, the depreciation should be appropriated according to the lease period. The Company shall review the estimation of life span, residual value and depreciation method at least once a year and extend the effect of changes in applicable accounting policy.

In the case of delisting real estate, plants, and equipment, the difference between the net disposal price and the book value of the asset is recognized in profit or loss.

(8) Intangible assets

1. Acquired separately

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. Intangible assets shall be subject to amortization under the straight-line method during its life span, and the estimation of life span, residual value and depreciation method shall be subject to review at least once a year and extend the effect of changes in applicable accounting policy. Intangible asset with indefinite useful lives is measured at cost net of accumulated impairment losses.

2. De-recognition

In removing intangible assets, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(9) The impairment of real estate, plants and equipment, right-of-use assets, and intangible assets (except goodwill)

The company evaluates whether there are any signs of impairment in real estate, plants and equipment, right-of-use assets and intangible assets (other than goodwill) on every balance sheet date. If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the Company is to estimate the recoverable amount of the respective cash-generating unit. If the community assets can be amortized to the cash-generating units on a reasonable and consistent basis, it is allocated to individual cash-generating unit or it is allocated to the smallest cash-generating cluster on a reasonable and consistent basis.

The intangible asset with indefinite useful lives and not yet available for use should be tested for impairment at least annually or should be tested when there is an indication of impairment.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

The inventory, real estate, plant, equipment and such intangible assets recognized in a customer contract are first recognized in accordance with the inventory impairment regulations and the aforementioned regulations are recognized as impairment. The book value of the related assets is entered based on the contract cost. The amount after deducting the directly related costs is recognized as an impairment loss and the book amount of the contract cost-related assets is included in the cash-generating unit to perform the impairment assessment in the cash-generating unit.

When the impairment loss is reversed subsequently, the carrying amount of the assets, cash-generating units or relevant assets of contract cost will increase to the revised recoverable amount, while the carrying amount after increase does not exceed the carrying amount of the assets, cash-generating units or relevant assets of contract costs that would have been at the date of reversal had the impairment loss not been recognized previously (excluding amortization or depreciation). The reversed impairment loss is recognized in the profit or loss.

(10) Financial instruments

Financial assets and liabilities will only be recognized in balance sheet when the Company becomes a party in a contract of the tool.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

1. Financial Assets

The customary transaction of financial assets is recognized and de-recognized in accordance with the trade date accounting.

(1) Classification of measurement

The assets held by the Company are such types of financial assets measured at fair value through profit and loss, financial assets measured at amortized cost, debt instrument investment measured at fair value through other comprehensive gains and losses and fair value through other comprehensive gains and losses as the investment in equity instruments to be measured.

A. Financial assets at fair value through profit and loss

Financial assets at fair value through income statements included financial assets at fair value through income statements and financial assets designated at fair value through income in statements. Financial assets mandatory at fair value through profit or loss include equity instrument investments not designated at fair value through other comprehensive income, and liability instrument investments not qualified for classifying as measured at amortized cost or at fair value through other comprehensive income.

Such financial assets measured at fair value through profit and loss are measured at fair value where their remeasured benefits or losses are recognized into profit and loss. Please refer to Note 30 for the determination of fair value.

B. Financial assets on the basis of cost after amortization

If the financial assets of the Company met both of the following conditions, classify as financial assets on the basis of cost after amortization:

- a. Financial assets held under particular mode of operation and the purpose of holding is for the collection of cash flow from contracts; and
- b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

The financial assets measured at the post-amortization cost (including cash and cash equivalents, notes receivable at post-amortization cost, accounts receivable, other receivables, restricted assets and deposited guarantee bond margin) are recognized at initial recognition. After that, they would be measured by the total book amount determined by the effective interest method minus the post-amortization cost of any impairment loss, and any foreign currency exchange gains and losses which would be recognized in the profit and loss.

Interest income will be the product of effective interest rate and total book value of financial assets except under the following two conditions:

- a. The interest income of financial assets procured or initiated under credit impairment will be the product of the effective interest rate after credit adjustment and the cost of financial assets after amortization.
- b. Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

- C. Debt instrument investments measured at fair value through other comprehensive income

If the investment of debt instruments by the Company met both the two conditions below, classify as financial instruments at fair value through comprehensive income:

- a. Financial assets held under the particular mode of operation and the purpose of holding being for collection of cash flow from contracts; and
- b. Cash flow generated on particular dates deriving from the contracts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Other investment of debt instruments at fair value through comprehensive income should be measured at fair value. Changes in the book value shall be recognized as income under the calculation of interest income under the effective interest rate method, and exchange gain and loss and impairment or reversal benefits shall be recognized as income. Other changes shall be recognized as other comprehensive income and reclassified as income at the disposition of investment.

- D. Equity instrument investments measured at fair value through other comprehensive income

The Company may make an irrevocable choice at the time of initial recognition for designating the investment of equity instruments not available-for-sale and not recognized by the consolidated acquirer under corporate acquisition or with consideration at fair value through other comprehensive income for measurement.

The investment of equity instruments at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value will be recognized as other comprehensive income and accumulated into other equity. In the disposition of assets, accumulated gains or loss shall be directly transferred to retained earnings without classification as income.

The dividend of the investment of equity instruments at fair value through other comprehensive income shall be recognized as income when the right of the Company in the collection of dividends is ascertained, unless the dividend is obviously representing the recovery of the cost of investment in part.

(2) Impairment of financial assets

The Company assesses financial assets (including bills receivable and accounts receivable) measured at post-amortization cost based on expected credit losses on each and every balance sheet date and, meanwhile, invests in liability instruments that are measured at fair value through other comprehensive gains and losses.

Notes receivable and receivable accounts shall be recognized for provisions for loss on the basis of anticipated credit loss within the perpetuity of the assets. Other financial assets shall be evaluated for any significant increase of risk from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss along a period of 12 months. If it is, recognize for provision of anticipated credit risk within the perpetuity of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the perpetuity of the financial instruments means the expected loss of credit from the financial instruments within the perpetuity of these financial instruments.

All impairment of financial assets is recognized through the reduction of the book value of the provisioned account. However, the provision for loss of investment of debt instruments at fair value through comprehensive income shall be recognized as other comprehensive income without the reduction of its book value.

(3) The de-recognition of financial assets

The Company's financial assets are de-recognized only when the contractual rights from the cash flows of a financial asset becomes invalid, or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

De-recognition of financial asset measured at amortized costs in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When particular debt instruments measured at fair value through comprehensive income is entirely removed, the total sum of any other accumulated gains or loss of the difference between book value and consideration recognized as other comprehensive income shall be recognized as income. When particular equity instruments measured at fair value through comprehensive income are entirely removed, the accumulated gains of loss shall be directly transferred to retained earnings without being classified as income.

2. Financial Liabilities

(1) Subsequent measurement

All financial liabilities of the Company have been measured at the post-amortization cost using the effective interest method.

(2) De-recognition of financial liabilities

When de-recognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

(11) Recognition of revenues

The Company, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

In an event where several contracts sign with a same customer (or related parties of that customer) at almost a same time, where these contracts are negotiated in a same package for a single business purpose, the Company would deal with them in a single contract.

Contracts of which the time interval between the transfer of goods or services and the consideration is less than one year shall not have its major financial components, such as transaction price, adjusted.

1. Revenue through sale of products

The commodity sales revenue comes from the sales of non-ionic surfactant products. While the product arrives at the location designated by a customer, that customer is already entitled to set the price and use of the product and is primarily obliged for resale and assume the risk of staleness and obsolescence, the Company just recognizes revenue and receivable at that point in time.

2. Labor revenue

The labor service income comes from the provision of processing services and the related income is recognized at the very moment when the labor service is provided.

(12) Leases

The Company assesses whether or not the arrangement is (or includes) a lease arrangement on the agreement date

1. The Company is the lessor

When the lease term is to have all risks and returns attached to the ownership of assets transferred to the lessee, it is classified as a financing lease. All other leases are classified as operating leases.

Lease payments for operating leases upon deduction of lease incentives are recognized as income on a straight-line basis in relevant lease periods. Initial direct costs generated in the acquisition of operating leases are added to the underlying asset carrying amount and recognized as expenses on a straight-line basis in lease periods.

2. The Company is the lessee

Except for recognizing low-value asset leases applying to exemption and lease payments for short-term leases being recognized as an expense on a straight-line basis over the lease term, other leases will be recognized as right-of-use assets and lease liabilities at lease commencement date.

The right-of-use asset is measured at cost (including the amount equal to the lease liability at its initial recognition, lease payments made before the commencement of the lease less any received, any incurred by the lessee, and an estimate of costs to be incurred by the restoring the underlying asset to the condition required) less any depreciation and any accumulated impairment losses. Additionally, the cost is subsequently adjusted for any. Right-of-use assets are separately expressed on the balance sheet.

The right-of-use assets were depreciated on a straight-line basis over the period from the commencement date of the lease to expiration of its useful life or expiration of the lease term, whichever date is earlier.

The lease liability was originally measured at the present value of the lease payment (as a fixed payment). If the implied interest rate of the lease is easily determined, the lease payments will be discounted to their present value using that interest rate. If such interest rate is not easily determined, the incremental borrowing rate will be used.

Subsequently, the lease liabilities are measured at amortized cost using effective interest method and the interest expenses are amortized over the lease term. Lease liabilities are separately expressed on the balance sheet.

(13) Governmental subsidies

The government subsidies shall only be recognized, provided that it can be reasonably convicted the company will comply with the supplementary terms for government subsidies and that the subsidies can be received.

If the government subsidies are used for compensating expenses or losses that have already incurred, or if the purpose is to provide the company with immediate financial support and if there are no related costs in the future, they shall be recognized as profit or loss during the collection period.

(14) Employee benefits

1. Short-term employee benefits

Liabilities relating to short-term employee benefits are measured by the non-discounted amount of the expected payment in exchange for employee services.

2. Retirement benefits

Under the defined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as an expense.

The determined cost of benefit for determined benefit retirement plan (including the cost of service, net interest, and reevaluation) is based on the actuary of projected unit method. The net interests of the service cost (including the service cost for the current period) and net defined benefit liability (asset) are recognized as employee benefit expenses when they occur. The value of second measurement (including the profits and loss under actuary and the return on assets of the plan net or interest) shall be recognized as other comprehensive incomes and as retained earnings, if realized. No reclassification as profits and loss in subsequent periods.

Net defined benefit liability (asset) is the appropriation deficit (surplus) of the defined benefit pension plan. Net determined benefit asset shall not exceed the refund of the appropriated fund or decrease the present value of appropriation of fund in the future.

(15) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Income tax expenses in the current period

The Company determines the current term income (loss) in accordance with the laws and regulations prevalent in the jurisdiction of the income tax declaration, and counts the payable (recoverable) income tax accordingly.

Additional income tax on unappropriated earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China, to be recognized in the year of the shareholder resolution meeting.

The adjustment to prior period income tax payable is booked as current income tax.

2. Deferred tax

The deferred income tax was counted based on the temporary difference between the book value of assets and liabilities in the financial statements and the taxation based to calculate the taxable income.

Deferred tax liabilities are generally recognized in accordance with all taxable temporary differences. Deferred tax assets are recognized when there are likely to have taxable income available for deductible temporary difference or loss credit.

The book amount of deferred income tax asset must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset, should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax effect resulting from the book amount of the assets and liabilities expected to be recovered or liquidated at the balance sheet date.

3. Current & deferred income taxes

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive profit or loss or directly included in the equity are recognized in the other comprehensive profit or loss or directly included in the equity.

5. Major sources leading to major accounting judgments and uncertainties in estimate

When adopting accounting policy, the management of the Company shall make related judgments, estimations, and assumptions for information that cannot be easily retrieved from other sources based on historical experiences and other relevant factors. Actual results may differ from the estimates.

The Company has taken the recent development of the COVID-19 pandemic in our country and the potential impact on the economic environment into consideration for estimation of cash flows, growth rates, discount rates, profitability, and other relevant critical accounting estimates. The management will continue to examine such estimates and underlying assumptions. If the amendment affects only the current estimates, it is recognized in the current period. If the amendment of accounting estimates affects both current and future periods, it is recognized in the respective current and future periods.

6. Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 140	\$ 140
Demand deposits	277,862	385,897
Check deposits	238,149	246,452
	<u>\$ 516,151</u>	<u>\$ 632,489</u>

7. Financial assets at fair value through profit and loss

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets – current</u>		
Measured at fair value through income under compulsion		
Non-derivative financial assets		
Beneficial certificates	\$ 76,538	\$ 62,072

8. Financial assets at fair value through other comprehensive profit or loss

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Non-Current</u>		
Equity investment	\$ 2,996,871	\$ 3,096,492
Debt instrument	200,000	204,052
	<u>\$ 3,196,871</u>	<u>\$ 3,300,544</u>

(1) Equity investment

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Non-Current</u>		
Domestic investment		
Listed stocks and emerging stock		
CHINA MAN-MADE FIBER CORPORATION		
Common stock	\$ 2,654,233	\$ 2,816,160
Taiwan Tea Corp. common shares	239,540	211,220
Unlisted/OTC		
Common stock of TWSE	28,098	22,792
China Man-Made Fiber Corporation's common shares	75,000	46,320
	<u>\$ 2,996,871</u>	<u>\$ 3,096,492</u>

The Company invests in the common stocks of the aforementioned companies amidst its medium and long-term strategic purposes and expects to earn profits through long-term investments. The management of the Company holds that the short-term fluctuation in the fair value of these investments shall be recognized as income or loss and is not congruent with the aforementioned long-term investment plan, therefore they chose to designate these investments as financial assets at fair value through other comprehensive income.

During the year 2021, the Company adjusted its investment position to diversify risks by selling part of the ordinary shares of Taiwan Tea Corporation at fair value of NT\$916,000. The other related interests – unrealized appraisal gains and losses of financial assets measured at fair value through other comprehensive gains and losses in an amount of NT\$77,000 was transferred into retained earnings.

During the year 2020, the Company adjusted its investment position and sold all the common shares held in TSEC Corporation and Zhiwei Technology Company in full at fair value of NT\$95,945,000. The other related interests – unrealized appraisal gains and losses of financial assets measured at fair value through other comprehensive gains and losses in an amount of NT\$59,958,000 was transferred into retained earnings.

The Company recognized dividend income in amounts of NT\$26,082 thousand and NT\$642 thousand in the years 2021 and 2020 respectively, both of which were related to the investments still held as of December 31, 2021 in 2020.

For more information on pledge of equity instrument investments measured at fair value through other comprehensive gains and losses, please refer to Note 27.

(2) Debt instrument

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Non-current</u>		
<u>Domestic investment</u>		
Bank debentures of Taichung Commercial Bank	\$ <u>200,000</u>	\$ <u>204,052</u>

In December 2017, the Company purchased non-cumulative secondary financial bonds issued by Taichung Commercial Bank with no maturity date at the book interest rate of one-year fixed time savings interest rate quoted by Chunghwa Post Co., Ltd. with additional point margin of 3.08%.

9. Credit risk management for investment in debt instruments

The company has invested of debt instruments are classified as financial assets measured by fair value under other general loss or gain.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total Book Value	\$ 200,000	\$ 200,000
Loss allowance	<u>-</u>	<u>-</u>
Cost after amortization	200,000	200,000
Fair value adjustment	<u>-</u>	<u>4,052</u>
	\$ <u>200,000</u>	\$ <u>204,052</u>

The company has investing in debt instruments with an investment grade or higher (inclusive) and with loss assessment being low in credit risk. The company would continue to follow up on external assessment information, through which to monitor the credit risk fluctuations on its invested debt instruments, and also monitors the bond yield ratio curve and creditors' critical information among other information, to assess whether the debt instruments' credit risk has apparently increased following the initial recognition.

The company takes into consideration of outside assessment entities-supplied various levels of history default loss ratios, debtors' current financial standing and the industries' future forecasts, to measure the debt instrument investment's 12-month expectant credit loss or expectant credit loss during the sustaining period.

The current credit risk evaluation approach of the Company and the total carrying amount of debt instrument investments with various credit ratings are shown as below:

<u>Credit rating</u>	<u>Definition</u>	<u>Basis for recognizing expected credit losses</u>	<u>Expected credit loss rate</u>	<u>Total book value of December 31, 2021</u>
Normal	The debtors' credit risk is low and also has sufficient capability to pay off contractual cash flows.	Anticipated credit loss in 12 months	0%~0.5%	\$ <u>200,000</u>

<u>Credit rating</u>	<u>Definition</u>	<u>Basis for recognizing expected credit losses</u>	<u>Expected credit loss rate</u>	<u>Total book value of December 31, 2020</u>
Normal	The debtors' credit risk is low and also has sufficient capability to pay off contractual cash flows.	Anticipated credit loss in 12 months	0%~0.5%	\$ <u>200,000</u>

10. Notes receivable, accounts receivable and other receivables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Notes receivable</u>		
Measured on the basis of cost after amortization		
Notes receivable's total book value amount	\$ 18,205	\$ 17,096
Less: Allowance for losses	<u>-</u>	<u>-</u>
	<u>\$ 18,205</u>	<u>\$ 17,096</u>
 <u>Accounts receivable</u>		
Measured on the basis of cost after amortization		
Accounts receivable – nonrelated parties'		
total book value amount	\$ 178,329	\$ 202,102
Accounts receivable – related parties	164	-
Less: Allowance for losses	(<u>2,012</u>)	(<u>2,252</u>)
	<u>\$ 176,481</u>	<u>\$ 199,850</u>
 <u>Other receivables</u>		
Receivable tax refund	\$ 7,047	\$ 5,021
Other receivable – related parties	613	1,012
Others	<u>132</u>	<u>51</u>
	<u>\$ 7,792</u>	<u>\$ 6,085</u>

(1) Accounts receivable and notes receivable

The Company's average credit period for sales is net 30 to 60 days from the end of the month, and the payment collection period is assessed on a case-by-case basis. The policy adopted by the Company is to only trade with reputable counterparties. Whenever deemed necessary, the Company would obtain adequate guarantees beforehand to minimize the potential risk of financial losses in case of defaults. The Company tried to use other publicly available financial information and mutual transaction records to rate its key accounts, to continually oversee potential credit risk and the credit rating of the counterparties to disperse the total transaction amounts to customers proving well qualified in credit ratings.

Before accepting a new customer, the Company would conduct comprehensive evaluation into the potential customers credit quality through a sound internal credit rating system and set sound customers credit limit. Here at the Company, the customer credit limit and rating are reviewed once or twice a year. Among the data, the accounts receivable that are neither overdue nor impaired were classified as the best credit rating on the grounds of the rating results of the external credit rating system adopted by the company.

The Company adopts the simplified method in IFRS 9 to recognize the allowance for loss of the accounts receivable according to the expected credit losses of the given duration. The expected estimated credit loss during the specified duration was based on the customer's previous default records and current financial status, the industrial economic situation as well as prospective outlook of the entire industry. As indicated by the Company's historical experience in credit loss, the loss patterns among varied customer bases show no significant difference at all. In the preparation matrix, therefore, the customer bases were not further classified. Instead, we fixed the anticipated rate of credit loss only based on the number of days overdue in the accounts receivable.

Whenever the evidence indicates that a transaction counterparty is facing serious financial difficulties where the Company could not reasonably expect the recoverable amount, for example, where a counterparty is in liquidation while the Company directly wrote off the relevant accounts receivable, but would still continually pursue recourse activities and the Company would then recover the amount due to recourse. The amount so recovered through the recourse effort would be recognized in profit and loss.

The Company adopts the preparation matrix to measure the allowance loss for notes and accounts receivable as follows:

December 31, 2021

	Not overdue	Overdue 1 to 60 days	Total
Expected credit loss rate	0% ~ 1.03%	0% ~ 2%	-
Total Book Value	\$ 190,662	\$ 6,036	\$ 196,698
Allowance for loss (expected credit loss of the given duration)	(<u>1,950</u>)	(<u>62</u>)	(<u>2,012</u>)
Cost after amortization	<u>\$ 188,712</u>	<u>\$ 5,974</u>	<u>\$ 194,686</u>

December 31, 2020

	Not overdue	Overdue 1 to 60 days	Total
Expected credit loss rate	0% ~ 1.03%	0% ~ 2%	-
Total Book Value	\$ 204,791	\$ 14,407	\$ 219,198
Allowance for loss (expected credit loss of the given duration)	(<u>2,104</u>)	(<u>148</u>)	(<u>2,252</u>)
Cost after amortization	<u>\$ 202,687</u>	<u>\$ 14,259</u>	<u>\$ 216,946</u>

The information of the changes in the notes receivable and the allowance loss of accounts is as follows:

	2021	2020
Balance – beginning	\$ 2,252	\$ 1,993
Add: Impairment loss appropriated in current period	-	259
Less: Reversal of impairment loss in current period	(<u>240</u>)	-
Balance – ending	<u>\$ 2,012</u>	<u>\$ 2,252</u>

11. Inventory

	December 31, 2021	December 31, 2020
Raw materials	\$ 48,925	\$ 18,865
Supplies	5,483	4,031
Finished goods	<u>163,191</u>	<u>92,944</u>
	<u>\$ 217,599</u>	<u>\$ 115,840</u>

- (1) The Company's allowance for inventory depreciation losses as of December 31, 2021 and 2020 amounted to NT\$19,262 thousands and NT\$15,893 thousand, respectively.
- (2) Here at the Company, the inventory-related cost of goods sold in the year 2021 and the year 2020 amounted to NT\$1,533,986 thousand and NT\$1,312,156 thousand, respectively. The cost of goods sold including downtime losses amounted to NT\$71,678 thousand and NT\$86,722 thousand respectively. Cost of goods sold include inventory losses (revaluation gains) of NT\$(3,369) thousand and NT\$11,875 thousand, respectively. The losses as a result of scrapped inventory came to NT\$4,086 thousand and NT\$0, respectively.

12. Other current assets

	December 31, 2021	December 31, 2020
Restricted assets- Current	\$ 14,625	\$ 14,999
Others	<u>12</u>	<u>-</u>
	\$ <u>14,637</u>	\$ <u>14,999</u>

The restricted assets – current was provided by the Company as the customs clearance operation price of the Tariff Bureau and as the reserve accounts of bank accounts. Please refer to Note 27 for more details.

13. Investment under the equity method

The balance the company investing in affiliated enterprises is as follows:

	December 31, 2021	December 31, 2020
A major affiliated company		
Taichung Commercial Bank	\$ 3,541,067	\$ 3,232,947
Individual non-dominant associates		
Taichung Securities Investment Trust Co., Ltd.	13,481	13,323
Melasse	<u>10,721</u>	<u>14,037</u>
	\$ <u>3,565,269</u>	\$ <u>3,260,307</u>

The Company's ownership interest and percentage of voting rights in affiliated companies on the balance sheet date as enumerated below:

	December 31, 2021	December 31, 2020
Taichung Commercial Bank	6%	6%
Taichung Securities Investment Trust Co., Ltd.	3%	3%
Melasse	50%	50%

The Company participated in the capital increase through cash injection of Taichung Commercial Bank in the year 2021 and 2020. In that event, the Company invested 8,464 thousand shares and 10,742 thousand shares to newly increase the cost amounting to NT\$94,369 thousand and NT\$109,560 thousand. Where the Company did not subscribe to the capital increase pro rata to shareholding ratio, the shareholding rate changed. The Company was supposed to adjust to decrease the capital reserve—where the variable amount as the affiliated enterprise equity recognized in equity method left no balance at all. The Company, therefore, adjusted to reduce the retained earnings NT\$ 5,453 thousand and NT\$13,136 thousand instead. Meanwhile, the Company converted the previously recognized other comprehensive profit and/or loss, the part of reduction pro rata to retained earnings and current net profits instead. Accordingly, in the year 2020, the retained earnings increased by NT\$132 thousand and NT\$117 thousand, disposal of investment benefits decreased by NT\$15 thousand and increased by NT\$258 thousand, respectively.

The Company held up to 50% of the shares and voting rights of Melasse Company. Where other shareholders controlled the composition of that company's board of directors, nevertheless, the Company only has a significant influence over that company and that company was deemed as an affiliate of the Company.

Melasse Company was dissolved on December 6, 2021 as per the resolution adopted by the shareholders' meeting, and its application for dissolution was approved on December 14, 2021, and the liquidation process is still underway.

(1) A major affiliated company

The level 1 fair value information of related companies in the open market is as enumerated below:

Company name	December 31, 2021	December 31, 2020
Taichung Commercial Bank	\$ 3,077,117	\$ 2,541,673
Assets	\$ 772,678,393	\$ 736,770,021
Liabilities	(709,218,408)	(679,448,268)
Equity	\$ 63,459,985	\$ 57,321,753
The company's shareholding ratio	6%	6%
The interests entitled to the Company	\$ 3,541,067	\$ 3,232,947
	2021	2020
Net revenue	\$ 13,721,874	\$ 11,643,742
Net income	\$ 4,796,274	\$ 4,025,533
Other comprehensive profit or loss	87,965	448,863
Total comprehensive income	\$ 4,884,239	\$ 4,474,396

(2) Individual non-dominant associates

The information of individual non-significant affiliated companies is summarized as follows:

	2021	2020
Share of the Company		
The net profit (loss) of the business units in continued business operation in the present term	(\$ 3,367)	\$ 555
Other comprehensive profit or loss	209	788
Total comprehensive income	(\$ 3,158)	\$ 1,343

For those investments using the equity method where the Company was entitled to the shares in the profit and loss and other comprehensive profit and loss, except the case in Jehmifang Company which was calculated on the basis of financial statement that has not been audited by the certified public accountant, all the rest had been calculated on the basis of financial statement having been duly audited by certified public accountants. The Company's management, nevertheless, held the opinion that since the financial statement of the aforementioned investee has not been duly audited by the certified public accountants, the said facts would not have a significant impact.

14. Property, plant and equipment

	December 31, 2021	December 31, 2020
Self-use	\$ 927,561	\$ 984,478
Operating lease rental	3,715	3,715
	\$ 931,276	\$ 988,193

(I) Self-use

				Transportation and communication equipment	Other equipment	Construction in process and prepayment for machinery purchase	Total
Cost	Proprietary land	House and Building	Machine and Equipment				
Balance as of January 1, 2021	\$ 242,530	\$ 269,098	\$ 1,276,746	\$ 12,823	\$ 240,185	\$ -	\$2,041,382
Increase in current period	-	-	1,564	698	1,943	7,576	11,781
Decrease in current period	-	-	(954)	-	(205)	-	(1,159)
Reclassification	-	1,001	1,495	-	-	(2,496)	-
Balance as of December 31, 2021	<u>242,530</u>	<u>270,099</u>	<u>1,278,851</u>	<u>13,521</u>	<u>241,923</u>	<u>5,080</u>	<u>2,052,004</u>
Accumulated depreciation							
Balance as of January 1, 2021	-	(89,889)	(673,470)	(11,553)	(149,958)	-	(924,870)
Increase in current period	-	(7,387)	(54,554)	(490)	(5,909)	-	(68,340)
Decrease in current period	-	-	422	-	205	-	627
Balance as of December 31, 2021	-	(97,276)	(727,602)	(12,043)	(155,662)	-	(992,583)
Accumulated impairment							
Balance as of January 1, 2021	-	(4,216)	(99,453)	(82)	(28,283)	-	(132,034)
Increase in current period	-	-	-	-	-	-	-
Decrease in current period	-	-	174	-	-	-	174
Balance as of December 31, 2021	-	(4,216)	(99,279)	(82)	(28,283)	-	(131,860)
Net amount – December 31, 2021	<u>\$ 242,530</u>	<u>\$ 168,607</u>	<u>\$ 451,970</u>	<u>\$ 1,396</u>	<u>\$ 57,978</u>	<u>\$ 5,080</u>	<u>\$ 927,561</u>
Cost							
Balance as of January 1, 2020	\$ 242,530	\$ 269,098	\$ 1,275,880	\$ 13,899	\$ 239,370	\$ -	\$2,040,777
Increase in current period	-	-	1,777	-	1,130	-	2,907
Decrease in current period	-	-	(911)	(1,076)	(315)	-	(2,302)
Balance as of December 31, 2020	<u>242,530</u>	<u>269,098</u>	<u>1,276,746</u>	<u>12,823</u>	<u>240,185</u>	<u>-</u>	<u>2,041,382</u>
Accumulated depreciation							
Balance as of January 1, 2020	-	(82,517)	(617,403)	(12,018)	(140,148)	-	(852,086)
Increase in current period	-	(7,372)	(56,695)	(610)	(10,125)	-	(74,802)
Decrease in current period	-	-	628	1,075	315	-	2,018
Balance as of December 31, 2020	-	(89,889)	(673,470)	(11,553)	(149,958)	-	(924,870)
Accumulated impairment							
Balance as of January 1, 2020	-	(4,216)	(99,453)	(82)	(28,283)	-	(132,034)
Increase in current period	-	-	-	-	-	-	-
Balance as of December 31, 2020	-	(4,216)	(99,453)	(82)	(28,283)	-	(132,034)
Net amount as of December 31, 2020	<u>\$ 242,530</u>	<u>\$ 174,993</u>	<u>\$ 503,823</u>	<u>\$ 1,188</u>	<u>\$ 61,944</u>	<u>\$ -</u>	<u>\$ 984,478</u>

Depreciation expenses is appropriated in accordance with the straight-line method and the years of useful life illustrated below:

House and Building	20 to 55 years
Machine and Equipment	3 to 25 years
Transportation and communication equipment	6 to 10 years
Other equipment	
Offices & computer equipment	3 to 10 years

As the amount set for collateral to secure the real estate, plant and equipment which have been within the Company's own use. Please refer to Note 27 for more details.

(2) Operating lease rental

Land belonging to the Company are leased out as operating leases for a period of 1–5 years. The lessee has no preferential purchase option with regard to the asset when the lease period ends.

Total receivable lease payments for operating leases are as follows:

	December 31, 2021	December 31, 2020
First year	\$ 64	\$ 310
Second year	-	22
	<u>\$ 64</u>	<u>\$ 332</u>

As the amount set for collateral to secure the real estate, plant and equipment which have been leased for business operation. Please refer to Note 27 for more details.

15. Lease Agreements

(1) Right-of-use assets

	December 31, 2021	December 31, 2020
Carrying amount of the right-of-use asset		
Buildings	\$ 2,825	\$ 5,649
Transportation Equipment	-	2,870
	<u>\$ 2,825</u>	<u>\$ 8,519</u>
	2021	2020
Addition of right-of-use assets	\$ -	\$ -
Depreciation expense of the right-of-use asset		
Buildings	\$ 2,824	\$ 2,824
Transportation Equipment	2,870	3,131
	<u>\$ 5,694</u>	<u>\$ 5,955</u>

Except for the above depreciation expenses recognized, the Company's right-of-use assets were not subleased or impaired significantly in 2021 and 2020.

(2) Lease liabilities

	December 31, 2021	December 31, 2020
Carrying amount of the lease liabilities		
Current	\$ 2,883	\$ 5,710
Non-Current	-	2,883

The range of discount rates for lease liabilities is as follows:

	December 31, 2021	December 31, 2020
Buildings	1.385%	1.385%
Transportation Equipment	1.650%	1.650%

(3) Main lease activities and provisions

The Company has leased transportation equipment for business operation used, for the leasehold period of two years. The lease agreement does not stipulate renewal of the lease or purchase options at the time of expiry of the lease.

The Company has leased buildings for business operation used, for the leasehold period of two years. Upon termination or expiry of a leasehold period, the Company was not entitled to preferential procurement for the leased land and buildings. The leasehold terms further provide that unless agreed upon by the lessor, the Company shall not have the leasehold arts sublet or transferred either in whole or in part.

(4) Other lease-related information

Regarding the agreements whereunder the Company leased out its own real property, plants and equipment for business operation, please refer to Note 14.

	2021	2020
Short-term lease expense	\$ 11,743	\$ 11,924
Low-value asset lease expense	\$ 36	\$ 36
Total cash (outflow) of leases	(\$ 17,567)	(\$ 18,010)

The Company chose to apply the recognition exemption to such land eligible for short-term leases and certain office equipment leases that qualify for low-value asset leases where the Company does not recognize related right-of-use assets and lease liabilities for these leases.

16. Intangible assets

Changes in computer software are as follows:

	2021	2020
Balance – beginning	\$ 55	\$ 190
Purchases in the current period	195	-
Amortization in the current period	(66)	(135)
Balance – ending	\$ 184	\$ 55

17. Other assets

	December 31, 2021	December 31, 2020
Refundable deposit	\$ 26,967	\$ 26,938

The term “security deposits paid and refundable” as set forth herein denotes such guarantee bond for leasehold of flight and transaction equipment leased for commercial purposes.

18. Borrowings

(1) Shot-term borrowings

	December 31, 2021	December 31, 2020
<u>Unsecured loans</u>		
Credit loan	\$ 1,010,000	\$ 980,000

The interest rates of bank borrowings range were within 1.14%–1.20% and 1.15%–1.20% as of December 31, 2021 and 2020 respectively.

(2) Short-term notes payable

	December 31, 2021	December 31, 2020
Payable commercial paper	\$ 450,000	\$ 400,000
Interest Rate	0.64% ~ 0.93%	0.67% ~ 0.96%

(3) Long-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Secured loans</u>		
Secured loan	\$ 627,000	\$ 745,000
<u>Unsecured loans</u>		
Credit loan	545,000	625,000
Less: Amount due in one year	(<u>519,000</u>)	(<u>579,000</u>)
Long-term borrowings	<u>\$ 653,000</u>	<u>\$ 791,000</u>

1. For the secured loan with Taiwan Cooperative Bank in an amount of NT\$700,000 thousand with the loan period from August 23, 2019 until August 23, 2024, the Company provided the land and buildings of its Kaohsiung Plant as collateral; starting from the first appropriation date of the Loan on August 23, 2019, the Company would repay the loan in 20 installments with an installment in every three months, in an amount of NT\$24,000 thousand per installment from the 1st to 19th installments with the balance to be repaid in the 20th installment in full, with interest payable on a monthly basis, at the rate of that Bank's time savings index interest rate with additional point margin of 0.61% per annum. As of December 31, 2021, the interest rate was approximately 1.35%. As of December 31, 2021, the Company had repaid the loan up to NT\$288,000 thousand principal in accumulation.
2. For the secured loan with Union Bank of Taiwan in an amount of NT\$250,000 thousand for the loan period of April 12, 2019–April 12, 2024 for which the Company provided the stocks of China Man-Made Fiber Corporation held by the Company as collateral. Starting from the initial appropriation date on April 12, 2019, the Company would repay NT\$25,000 thousand per installment, with one installment in every six months, with interest payable on a monthly basis at the interest rate of the time deposit interest rate for 90-day short-term loan in the secondary market with additional point margin of 0.72% per annum. As of December 31, 2021, the interest rate was approximately 1.39% per annum. As of December 31, 2021, the Company has repaid the principal up to NT\$175,000 thousand in accumulation.
3. For the credit loan with Bank of Pan Shin in an amount of NT\$100,000 thousand for the loan period of May 25, 2020–May 25, 2023, the Company would repay NT\$10,000 thousand per installment with one installment in every six months with the balance to be repaid in full upon maturity. The interest would be paid on a monthly basis based on the monthly benchmark interest rate for time savings in that Bank with additional point margin of 0.57% per annum. As of December 31, 2021, the interest rate was approximately 1.30% per annum. As December 31, 2021, the Company had repaid principal up to NT\$30,000 thousand in accumulation.
4. For the NT\$150,000 thousand secured loan with Jih Sun International Bank, where the Company replaced the loan contract ahead of schedule, the period of the credit loan was rescheduled into October 15, 2020–October 15, 2023, for which the Company provided stocks of China Man-Made Fiber Corporation held by the Company as collateral. The Company would repay the principal upon maturity with interest payable on a monthly basis, with the interest rate to be negotiated on a case-by-case basis. As of December 31, 2021, the interest rate was approximately 1.28% per annum. As of December 31, 2021, the Company had repaid the principal up to NT\$10,000 thousand in accumulation.
5. For the NT\$600,000 thousand credit loan with Business Bank of Taiwan, the loan period was originally from the original November 8, 2019–November 9, 2021 and was extended in November 2021 until November 9, 2022. From the initial appropriation date on November 8, 2019, the Company would repay on a monthly basis, at NT\$5,000 thousand per installment and would repay the balance in a lump-sum in full upon maturity, and would pay interest on a monthly basis, at the interest rate based on that Bank's monthly benchmark interest rate with additional point margin 0.41% per annum. As of December 31,

2021, the interest rate was approximately 1.25%. As of December 31, 2021, the Company had repaid the principal up to NT\$125,000 thousand in accumulation.

6. For collateral of the aforementioned long-term loans, please refer to Note 27 for more details.

19. Other payables

	December 31, 2021	December 31, 2020
Payable salary & bonus	\$ 22,439	\$ 19,530
Remuneration to employees and remuneration to directors and supervisors payable.	7,173	6,394
Construction payables	5,758	2,564
Inventory for supplies payable	5,521	3,800
Transportation charges payable	4,694	5,296
Water, electricity and team bills payable.	4,349	3,427
Payable tax	2,087	2,145
Payable labor fee	500	1,500
Other payables	4,887	4,242
	<u>\$ 57,408</u>	<u>\$ 48,898</u>

20. Retirement benefits plan

	December 31, 2021	December 31, 2020
Net determined benefit liability	\$ 22,161	\$ 20,726

(1) Defined contribution pension plan

The pension system of the “Labor Pension Act” that is applicable to the Company is a defined contribution pension plan subject to government management with an amount equivalent to 6% of the monthly salary appropriated and contributed to the personal account with the Bureau of Labor Insurance.

(2) Defined benefit plan

The Company’s pension system under the “Labor Standards Act” of the R.O.C. is a defined benefit pension plan. Pension payment is calculated in accordance with the years of service and the average salary six months prior to the authorized retirement date. The company has a pension appropriated for an amount equivalent to 2% of the monthly salary and the proceeds are deposited in the designated account with Taiwan Bank in the name of the Labor Pension Reserve Commission. If the account balance before yearend is expected to be insufficient for paying the retiring employees of the year, the amount of difference should be appropriated in a lump sum before the end of March in the following year. The special account has been commissioned to the Bureau of Labor Fund of the Ministry of Labor Affairs for management. The Company contained in the financial statements exercises no influence on the right of the bureau in its investment management strategy.

The amount of defined benefit plan listed in balance sheet is listed as follows:

	December 31, 2021	December 31, 2020
Present value of the defined benefit obligations	\$ 59,440	\$ 58,431
The fair value of plan assets	(37,279)	(37,705)
Net determined benefit liability	<u>\$ 22,161</u>	<u>\$ 20,726</u>

Change in net determined benefit liability is shown below

	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
January 1, 2020	\$ 57,895	(\$ 38,754)	\$ 19,141
Service cost			
Current service cost	391	-	391
Interest expenses (revenues)	<u>463</u>	(<u>356</u>)	<u>107</u>
Recognized in the profit or loss	<u>854</u>	(<u>356</u>)	<u>498</u>
Reevaluation			
Return on plan assets	-	(1,150)	(1,150)
Actuarial loss – change in the assumption of the census	413	-	413
Actuarial loss – change in financial assumptions	2,067	-	2,067
Actuarial loss – adjustment through experience	<u>990</u>	<u>-</u>	<u>990</u>
Recognized in the other comprehensive profit of loss	<u>3,470</u>	(<u>1,150</u>)	<u>2,320</u>
Employer appropriation	-	(1,233)	(1,233)
Planned asset payment	(<u>3,788</u>)	<u>3,788</u>	<u>-</u>
December 31, 2020	<u>58,431</u>	(<u>37,705</u>)	<u>20,726</u>
Service cost			
Current service cost	296	-	296
Interest expenses (revenues)	<u>204</u>	(<u>134</u>)	<u>70</u>
Recognized in the profit or loss	<u>500</u>	(<u>134</u>)	<u>366</u>
Reevaluation			
Return on plan assets	-	(546)	(546)
Actuarial loss – change in the assumption of the census	2,957	-	2,957
Actuarial gain – change in financial assumptions	(1,749)	-	(1,749)
Actuarial loss – adjustment through experience	<u>1,632</u>	<u>-</u>	<u>1,632</u>
Recognized in the other comprehensive profit of loss	<u>2,840</u>	(<u>546</u>)	<u>2,294</u>
Employer appropriation	-	(1,225)	(1,225)
Planned asset payment	(<u>2,331</u>)	<u>2,331</u>	<u>-</u>
December 31, 2021	<u>\$ 59,440</u>	(<u>\$ 37,279</u>)	<u>\$ 22,161</u>

The recognized loss of determined benefit plans by function is summarized below:

	2021	2020
Operating cost	\$ 271	\$ 378
Operating expenses	<u>95</u>	<u>120</u>
	<u>\$ 366</u>	<u>\$ 498</u>

The pension fund system of the company contained in the financial statements is exposed to the following risks due to the “Labor Standards Act”:

1. Investment risk: The Bureau of Labor Fund of the Ministry of Labor Affairs uses the labor pension fund for investment in domestic and foreign equity securities and debt securities, and as bank deposits through proprietary trade or commissioned third parties. However, the amount attributable to the planned asset of the Company contained in the financial statements shall not fall below the interest rate offered by the banks in the regions or countries of investment for 2-year time deposit as return.
2. Interest risk: the decline of the interest rate for government/corporate bonds will cause an increase in the present value of determined benefit obligation. However, the ROI of the debt of the planned assets will also increase accordingly. The effect of the two on net determined benefit liability is mutually offsetting.

3. Salary risk: the calculation of the present value of determined benefit obligation is based on the salaries of the members in the plan of the future. As a result, an increase of the salaries of the members of the plan is bound to increase the present value of determined benefit obligation.

The determined benefit obligation of the company contained in the financial statements is based on the actuarial calculation of the actuary and the major assumption as of the evaluation day is shown below:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.75%	0.35%
The expected rate of increase in salaries	2.75%	2.75%

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of determined benefit obligation will be:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate		
Increase by 0.25%	(\$ <u>1,118</u>)	(\$ <u>1,172</u>)
Decrease by 0.25%	\$ <u>1,151</u>	\$ <u>1,209</u>
The expected rate of increase in salaries		
Increase by 0.25%	\$ <u>1,097</u>	\$ <u>1,146</u>
Decrease by 0.25%	(\$ <u>1,072</u>)	(\$ <u>1,118</u>)

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of determined benefit obligation.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Amount projected for appropriation in 1 year	\$ <u>1,230</u>	\$ <u>1,240</u>

Average maturity of determined benefit obligation

8 years

9 years

21. Equity

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Common stock capital	\$ 3,280,263	\$ 3,023,284
Capital surplus	872,725	872,725
Retained earnings	1,126,609	1,088,352
Other equity	<u>546,142</u>	<u>649,383</u>
	\$ <u>5,825,739</u>	\$ <u>5,633,744</u>

(1) Capital stock

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Authorized number of shares (thousand shares)	<u>480,000</u>	<u>480,000</u>
Authorized capital	\$ <u>4,800,000</u>	\$ <u>4,800,000</u>
Number of shares issued with fully paid-in capital (thousand shares)	<u>328,026</u>	<u>302,328</u>
Outstanding capital	\$ <u>3,280,263</u>	\$ <u>3,023,284</u>

Common stock shares issued at NTD 10 Par and each share is entitled to one voting right and dividends.

As resolved in the Company's shareholders' meeting convened on June 2, 2020, the NT\$157,612 thousand unappropriated retained earnings would be converted into capital increase into 15,761 thousand shares at NT\$10 par value, in common shares in all events. As of December 31, 2020, therefore, the Company's paid-in capital increased into NT\$3,023,284 thousand divided into 302,328 thousand shares at NT\$10 per value, in common shares in all events.

As resolved in the Company's shareholders' meeting convened on July 29, 2021, the NT\$256,979 thousand unappropriated retained earnings would be converted into capital increase into 25,698 thousand shares at NT\$10 par value, in common shares in all events. As of December 31, 2021, therefore, the Company's paid-in capital increased into NT\$3,280,263 thousand divided into 328,026 thousand shares at NT\$10 per value, in common shares in all events.

(2) Capital surplus

	December 31, 2021	December 31, 2020
Shares issued in excess of par value	\$ 835,369	\$ 835,369
Treasury stock transactions	37,356	37,356
	<u>\$ 872,725</u>	<u>\$ 872,725</u>

Of the total capital reserve, the amount of premium of the outstanding shares in excess of par value (including the issuance of common shares in excess of the par value, treasury stock transactions and the portion of the donation) may be used to make up for loss. Where the Company leaves no loss at all, such portion may be used to either distribute in cash or to appropriate into share capital. The amount to be appropriated into share capital, nevertheless, shall not exceed the specified ratio. For more details regarding the Company's policy to allocate remuneration to employees and remuneration to directors and supervisors as set forth under the Articles of Incorporation, please refer Note 23(V)5, the remuneration to employees and remuneration to directors and supervisors.

(3) Retained earnings and Dividend Policy

According to the Articles of Incorporation, the policy for the distribution of earnings stated that if there is a surplus after account settlement of the fiscal year, the company shall pay applicable taxes and cover loss carried forward, followed by the allocation of 10% of the remainder as legal reserve, and appropriate for special reserve or reverse special reserve. If there is still a balance, it will be pooled up with the undistributed earnings carried forward from previous years for distribution as shareholder dividend under a proposal prepared by the Board subject to the final approval of the General Meeting of Shareholders. For more details regarding the Company's policy to allocate remuneration to employees and remuneration to directors and supervisors as set forth under the Articles of Incorporation, please refer Note 23(5) the remuneration to employees and remuneration to directors and supervisors.

The Company holds a dividend policy taking into account factors such as the overall circumstances, industry growth characteristics and future capital needs and further taking into account shareholder interests, balanced dividends and long-term financial planning, and the like. Within the scope available for distribution every year, the stock dividend to be allotted shall not significantly dilute the Company's profitability. Under such circumstances, the stock dividends to be allocated shall not exceed 95% of the total cash and stock dividends to be granted within the current year.

The legal reserve shall be amortized until the time point where its balance is up to the Company's total paid-in capital. The legal reserve may be applied to make up loss. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

Exactly in accordance with Letter Jin-Guan-Zheng-Fa-Zi No. 1010012865 (invalid from December 31, 2021), Letter Jin-Guan-Zheng-Fa-Zi No. 1010047490 (invalid from March 31, 2021), Letter Jin-Guan-Zheng-Fa-Zi No. 1030006415 (invalid from December 31, 2021), Letter Jin-Guan-Zheng-Fa-Zi No. 1090150022, and Letter Jin-Guan-Zheng-Fa-Zi No. 10901500221,

and after adopting International Financial Reporting Standards (IFRS), the Q&A on the applicable questions of the special surplus reserve, the Company amortized and rotated the special reserve. If the amount debited to the other shareholders' equity is reversed subsequently, the reversed amount can be distributed.

The Company held General Shareholders' Meetings on July 29, 2021 and June 2, 2020, which adopted resolutions with regard to the 2020 and 2019 surplus distribution proposals as follows:

	<u>2020</u>	<u>2019</u>
Legal reserve	\$ 29,292	\$ 29,030
Special reserve	(\$ 45,404)	\$ 45,404
Cash dividends	\$ 45,349	\$ 42,984
Stock dividends	\$ 256,979	\$ 157,612
Cash dividends per share		
(NT\$)	\$ 0.15	\$ 0.15
Stock dividend per share		
(NT\$)	\$ 0.85	\$ 0.55

The Company had resolved in the board meeting the earnings distribution of 2021 on March 14, 2022 as follows:

	<u>2021</u>
Legal reserve	\$ 34,059
Cash dividends	\$ 49,204
Stock dividends	\$ 246,020
Cash dividends per share	\$ 0.15
(NT\$)	
Stock dividend per share	\$ 0.75
(NT\$)	

The proposal for the distribution of earnings in 2021 is pending on the resolution of the General Meeting of shareholders scheduled to be held in 2022.

(4) Special reserve

	<u>2021</u>	<u>2020</u>
Balance – beginning	\$ 168,568	\$ 123,164
Special reserve		
appropriated	-	45,404
Reversal of special		
reserve	(45,404)	-
Balance – ending	\$ 123,164	\$ 168,568

(5) Other equity

1. Exchange differences from the translation of financial statements of foreign operations

	<u>2021</u>	<u>2020</u>
Balance – beginning	(\$ 6,739)	(\$ 5,340)
The shares of profit and/or loss		
at equity method over the		
associates	2,009	(1,399)
Balance – ending	(\$ 4,730)	(\$ 6,739)

2. Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss

	2021	2020
Balance – beginning	\$ 656,122	(\$ 163,227)
Accrued in current year		
Unrealized gain or loss		
Equity instruments	(99,541)	847,664
Debt instruments	(4,052)	4,052
The shares of profit and/or loss at equity method over the associates	(1,463)	27,966
Reclassification adjustment		
The affiliated companies that adopt equity method for disposal	(117)	(375)
The accumulated gain/loss from the disposition of equity instruments will be transferred to retained earnings.	(77)	(59,958)
Balance – ending	<u>\$ 550,872</u>	<u>\$ 656,122</u>

22. Revenues

	2021	2020
Sales revenue	\$ 1,661,104	\$ 1,400,481
Labor revenue	<u>66,473</u>	<u>57,200</u>
	<u>\$ 1,727,577</u>	<u>\$ 1,457,681</u>

Description of customer contracts

- (1) Revenue through sale of products

The Company's product sales revenues primarily come from the sales of non-ionic surfactant products which have been sold at a fixed prices as agreed upon in the contracts. The Company recognizes revenues at the timepoints upon satisfying the customer's performance obligations and the timepoints when the performance obligations are satisfied while the customers obtain the transfer of control over the promised assets.

- (2) Labor revenue

The Company renders labor services for product processing. After processing services are completed, the revenues are recognized while the customers' performance obligations are satisfied.

23. Income from continuing operations

Income from continuing operations department includes the following items

- (1) Other income

	2021	2020
Remuneration to directors/supervisors	\$ 3,558	\$ 8,206
Subsidy granted by the Executive Yuan (the Cabinet) (Note 29)	-	6,109
Revenues to the directors and supervisors as business travel allowances	-	420
Gain (loss) on disposal of investments (Note 13)	(15)	258
Others	<u>1,195</u>	<u>1,172</u>
Total	<u>\$ 4,738</u>	<u>\$ 16,165</u>

(2) Financial costs

	2021	2020
Interest from bank borrowings	\$ 31,736	\$ 36,010
Interest on lease liabilities	<u>78</u>	<u>168</u>
Total	<u>\$ 31,814</u>	<u>\$ 36,178</u>

(3) Depreciation, and amortization expenses

	2021	2020
Property, plant and equipment	\$ 68,340	\$ 74,802
Right-of-use assets	5,694	5,955
Intangible assets	<u>66</u>	<u>135</u>
Total	<u>\$ 74,100</u>	<u>\$ 80,892</u>

Consolidation of depreciation expenses based on functions

Operating cost	\$ 68,295	\$ 74,796
Operating expenses	<u>5,739</u>	<u>5,961</u>
	<u>\$ 74,034</u>	<u>\$ 80,757</u>

Consolidation of amortization expenses based on functions

Operating cost	\$ 55	\$ 55
Operating expenses	<u>11</u>	<u>80</u>
	<u>\$ 66</u>	<u>\$ 135</u>

(4) Employee benefits expenses

	2021	2020
Retirement benefits (Note 20)		
Defined contribution pension plan	\$ 3,485	\$ 3,449
Defined benefit plan	366	498
Short-term employee benefits		
Salary & wage	87,416	83,865
Labor insurance and national health insurance	7,994	7,841
Other employee benefits	<u>4,066</u>	<u>3,976</u>
Total employee benefits expenses	<u>\$ 103,327</u>	<u>\$ 99,629</u>
Consolidation based on functions		
Operating cost	\$ 75,414	\$ 74,232
Operating expenses	<u>27,913</u>	<u>25,397</u>
	<u>\$ 103,327</u>	<u>\$ 99,629</u>

(5) Remuneration to employees, Directors and Supervisors

According to the Articles of Incorporation, the Company appropriated 1% to 5% and no more than 0.3% of the earnings before taxation before the deduction of remuneration to the employees, Directors and Supervisors of the same year. The Company's profit sharing bonus to employees and compensation to directors for 2021 and 2020, respectively, had been approved by the Board of Directors of the Company held on March 14, 2022 and March 15, 2021, respectively.

Estimate on ratio

	2021	2020
Remuneration to employees	1%	1%
Remuneration to directors/supervisors	0.3%	0.3%

Amount

	<u>2021</u>	<u>2020</u>
Remuneration to employees	\$ <u>3,520</u>	\$ <u>2,597</u>
Remuneration to directors/supervisors	\$ <u>1,056</u>	\$ <u>779</u>

If there are still changes in the amount specified in the financial statement after announcement, proceed to the accounting of change and adjusted for booking in the next fiscal year.

On the remuneration to employees and remuneration to directors and supervisors for the year 2020 and the year 2019, the decisions resolved by the board of directors on March 15, 2021 and March 16, 2020 as follows:

	<u>2020</u>	<u>2019</u>
	<u>Cash</u>	<u>Cash</u>
Remuneration to employees	\$ <u>2,597</u>	\$ <u>3,018</u>
Remuneration to directors/supervisors	\$ <u>779</u>	\$ <u>905</u>

The actual amount for remuneration to employees, Directors and Supervisors in 2020 and 2019 did not vary from the amount recognized in the financial statements of 2020 and 2019.

For further information on the appropriation of remuneration to the employees and Directors and Supervisors by the Board of Taichung Commercial Bank in 2022 and 2021, visit the “MOPS” website of Taiwan Stock Exchange Corporation.

24. Continuing department income tax

(1) Main components of income tax expense recognized in profit or loss

	<u>2021</u>	<u>2020</u>
Income tax expenses in the current period		
Accrued in current year	\$ 6,219	\$ -
Additional levy on undistributed earnings	-	894
Prior years adjustment	<u>771</u>	(<u>256</u>)
	<u>6,990</u>	<u>638</u>
Deferred tax		
Accrued in current year	664	5,428
Prior years adjustment	(<u>3,214</u>)	<u>2,305</u>
	(<u>2,550</u>)	<u>7,733</u>
Income tax expense recognized in the profit or loss	\$ <u>4,440</u>	\$ <u>8,371</u>

Adjustment of accounting income and income tax expense are as follows:

	<u>2021</u>	<u>2020</u>
Income before tax from continuing operations	\$ <u>347,418</u>	\$ <u>256,302</u>
Income tax expense of net income before tax at the statutory tax rate	\$ 69,483	\$ 51,260
Non-taxable income	(61,512)	(47,573)
Additional levy on undistributed earnings	-	894
Non-deductible expenses and losses for tax purposes	7	302
Unrecognized deductible temporary differences	(1,095)	1,439

	<u>2021</u>	<u>2020</u>
Income tax expense of prior years adjusted in the current year	771	(256)
The income expenses deferred in the previous year(s) were adjusted in the present fiscal year	(3,214)	<u>2,305</u>
Income tax expense recognized in the profit or loss	<u>\$ 4,440</u>	<u>\$ 8,371</u>
(2) Income tax benefits recognized in the other comprehensive profit or loss		
	<u>2021</u>	<u>2020</u>
<u>Deferred tax</u>		
Accrued in current year		
Reevaluation of determined benefit plan	(\$ 459)	(\$ 464)
(3) Current income tax asset and liability		
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current income tax asset		
Tax refund receivable	\$ -	\$ -
Current Tax Liability		
Payable income tax	<u>\$ 5,438</u>	<u>\$ 39</u>

(4) Deferred income tax assets and liabilities

Changes in the deferred income tax assets and liabilities are as follows:

2021

	<u>Balance, beginning of year</u>	<u>Recognized in the profit or loss</u>	<u>Recognized in the other comprehensi ve profit of loss</u>	<u>Balance, end of year</u>
<u>Deferred income tax assets</u>				
Temporary difference				
Defined benefit pension plans	\$ 4,145	(\$ 172)	\$ 459	\$ 4,432
Loss credit	1,044	(1,044)	-	-
				<u>4,679</u>
Others	<u>913</u>	<u>3,766</u>	-	
	<u>\$ 6,102</u>	<u>\$ 2,550</u>	<u>\$ 459</u>	<u>\$ 9,111</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Allowance for land increment value tax	<u>\$40,896</u>	\$ -	\$ -	<u>\$40,896</u>

2020

	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensi ve profit of loss	Balance, end of year
<u>Deferred income tax assets</u>				
Temporary difference				
Defined benefit pension				
plans	\$ 3,828	(\$ 147)	\$ 464	\$ 4,145
Loss credit	3,346	(2,302)	-	1,044
Others	<u>6,197</u>	<u>(5,284)</u>	<u>-</u>	<u>913</u>
	<u>\$ 13,371</u>	<u>(\$ 7,733)</u>	<u>\$ 464</u>	<u>\$ 6,102</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Allowance for land				
increment value tax	<u>\$40,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$40,896</u>

(5) Income tax audit

The Company's filings of profit-seeking enterprise business income tax returns had been certified by the tax authority up till 2019.

25 Earnings per share

	2021	Unit: NTD per share 2020
Basic earnings per share	<u>\$ 1.05</u>	<u>\$ 0.76</u>
Diluted earnings per share	<u>\$ 1.04</u>	<u>\$ 0.76</u>

When calculating earnings per share, the impact of the stock dividend had been retroactively adjusted. The payment date of bonus shares is on November 2, 2021. Due to retrospective adjustment, the 2020 basic and diluted earnings per share changes are as follows:

	Cum-dividend	Unit: NTD per share Ex-dividend
Basic earnings per share	<u>\$ 0.82</u>	<u>\$ 0.76</u>
Diluted earnings per share	<u>\$ 0.82</u>	<u>\$ 0.76</u>

The earnings and weighted average common stock shares used in calculating the earnings per share are as follows:

Net income

	2021	2020
Net profit attributable to the company	<u>\$ 342,978</u>	<u>\$ 247,931</u>

Quantity

	2021	Unit: Thousand Shares 2020
Weighted average common stock shares used to calculate basic earnings per share	328,026	328,026
Effect of dilutive potential common stock:		
Employee bonus	<u>324</u>	<u>261</u>
Weighted average common stock shares used to calculate diluted earnings per share	<u>328,350</u>	<u>328,287</u>

If the Company may choose to have the employee compensation distributed via a stock or cash dividend, calculate the diluted earnings per share, assuming that the bonus to employees is with a stock dividend distributed, with the weighted average number of shares outstanding included when the potential common stock has a diluted effect. When diluted EPS is calculated in the next year resolves the number of share distribution for employee compensation, the dilution effect is also considered for such potential common shares.

26. Related Party Transactions

Name	Affiliation
CHINA MAN-MADE FIBER CORPORATION	Parent company
Sheng Jen Knitted Textiles Co., Ltd. and China Man-Made Fiber Investment Co., Ltd.	The management
Lung-Teng Chen, Kuo-Fu Hsiao and Kuo-Ming Chang (Note)	Independent Director of the Bank
Kuei-Hsien Wang, Hung-Yang Wu, Jeh-Yi Wang and Kuei-Fong Wang	The Company's chairman & director
Pan Asia Chemical Corporation (statutory representative Wang Kui-Hsien)	Director of China Man-Made Fiber Corporation
Melasse	The Company's affiliated enterprise adopting equity method
Taichung Securities Investment Trust Co., Ltd. (formerly known as Dexin Securities Investment Trust Company)	The Company's affiliated enterprise adopting equity method
Taichung Commercial Bank	The Company's affiliated enterprise adopting equity method
Taichung Commercial Bank Securities Co., Ltd.	Substantial related party
Taichung Bank Insurance Agency Co., Ltd.	Substantial related party
Taichung Commercial Bank Lease Enterprise	Substantial related party
TCCBL Co., Ltd.	Substantial related party
Taichung Commercial Bank Leasing (Suzhou) Ltd.	Substantial related party
Taichung Bank Venture Capital Co., Ltd.	Substantial related party
Deh Hsing Investment Co., Ltd.	Substantial related party
Chou-Chin Industrial Co., Ltd.	Substantial related party
Chou Chang Corporation	Substantial related party
GREENWORLD FOOD CO., LTD.	Substantial related party
EUREKA INVESTMENT COMPANY LIMITED	Substantial related party
Pan-Feng Industry	Substantial related party
Xiang-Feng Development	Substantial related party
Reliance Consolidated Securities Co., Ltd.	Substantial related party
Formosa Imperial Wineseller Corp.	Substantial related party
Da Fa Investment Company	Substantial related party
Tai Yi Investment	Substantial related party
Tou-Ming Industry	Substantial related party
Jin-Bang-Ge Industry	Substantial related party
IOLITE COMPANY LIMITED	Substantial related party
Hammock (Hong Kong) Company Limited	Substantial related party
Hebei Hanoshi Contact Lens Co., Ltd.	Substantial related party

Note: On June 12, 2020 while the directors of Session 14 were reelected while the original independent directors had tenure of office expiring, the newly elected independent directors were Cheng Lung-Ten, Hsiao Kuo-Fu and Chang Kuo-Ming.

Summarization of important transactions between the Bank and stakeholders:

(1) Sale

	2021	2020
CHINA MAN-MADE FIBER CORPORATION	\$ <u>851</u>	\$ <u>3,424</u>

The terms of transaction while the Company sells products to affiliated enterprises and terms of payment thereof are not significantly differing as compared with ordinary customers.

(2) Purchase

	2021	2020
CHINA MAN-MADE FIBER CORPORATION	\$ <u>755,002</u>	\$ <u>601,055</u>

In terms of transaction conditions where the Company purchases from its affiliated enterprises, except certain purchase cases without the similar types available for a comparison, all conditions are not significantly differing, with payment terms ranging from 30 to 60 days.

In addition, in an attempt to secure successful acquisition of the key raw materials, the Company signed an ethylene oxide purchase contract with China Man-Made Fiber Corporation. The key contents thereof are as enumerated below:

1. Contract period: From July 1, 2020 to June 30, 2025 and will be negotiated again after the end of the contract.
2. Volume provided: Provided exactly according to the predetermined demand quantity proposed by the Company. China Man-Made Fiber Corporation has, nevertheless, been able to adjust the predetermined supply quantity as the actual circumstances of production might justify
3. Purchasing price: to be settled based on the pricing method agreed by both parties.

(3) Other income

	2021	2020
Taichung Commercial Bank	\$ 3,558	\$ 8,626
CHINA MAN-MADE FIBER CORPORATION	360	360
Melasse	448	389
	\$ <u>4,366</u>	\$ <u>9,375</u>

The company's 2021 and 2020 other income from Taichung Commercial Bank pertains to the company serving as Taichung Commercial Bank's institutional director has received of director/auditor remuneration and director/auditor attendance travel expense income.

During the year 2021 and the year 2020, the other revenues received from China Man-Made Fiber Corporation and Melasse Company were primarily revenues as service fees for provisions of workforce and other odd revenues.

(4) Bank deposits and interest revenue

	2021		2020	
Name	Balance – ending	Interest revenue	Balance – ending	Interest revenue
Taichung Commercial Bank	\$ 54,587	\$ 7,753	\$ 113,890	\$ 8,288

The interest income received by the Company from Taichung Commercial Bank was primarily interest income as a result of deposits and investment in bonds. For more details regarding information of investment in bonds into Taichung Commercial Bank, please refer to Note VIII.

(5) Receivables from related parties

Accounts receivable

	December 31, 2021	December 31, 2020
CHINA MAN-MADE FIBER CORPORATION	\$ 164	\$ -

Other receivables

	December 31, 2021	December 31, 2020
Taichung Commercial Bank	\$ 575	\$ 613
Melasse	-	361
CHINA MAN-MADE FIBER CORPORATION	38	38
	<u>\$ 613</u>	<u>\$ 1,012</u>

The other receivables from Taichung Commercial Bank were interest receivable as a result of investment in bonds.

(6) Accounts payable from related partiesAccounts payable

	December 31, 2021	December 31, 2020
CHINA MAN-MADE FIBER CORPORATION	\$ 125,853	\$ 93,043

Other payables

	December 31, 2021	December 31, 2020
CHINA MAN-MADE FIBER CORPORATION	\$ 4,553	\$ 3,631

(7) Other business expenses

	2021	2020
CHINA MAN-MADE FIBER CORPORATION	\$ 1,800	\$ 1,800
GREENWORLD FOOD CO., LTD.	33	37
Melasse	<u>310</u>	<u>29</u>
	<u>\$ 2,143</u>	<u>\$ 1,866</u>

The aforementioned amounts represent the fees for services rendered to China Man-Made Fiber Corporation and other business expenses received from Melasse Company and Greenworld Food Co., Ltd.

(8) Operating cost

	2021	2020
CHINA MAN-MADE FIBER CORPORATION	\$ 2,055	\$ 2,056

The aforementioned operating costs represent the expenditures as waste treatment fee and air pollutant disposal fee.

(9) Other transactions

The transaction amounts paid by the Company for purchases electricity, steam and pure water from China Man-Made Fiber Corporation were as enumerated below

	2021	2020
Electricity	\$ 23,136	\$ 21,904
Steam	10,405	7,851
Gas	1,699	1,646
Pure water	<u>124</u>	<u>50</u>
	<u>\$ 35,364</u>	<u>\$ 31,451</u>

(10) Lease agreements

Account titles in book	Type and Name of related party	December 31, 2021	December 31, 2020
Lease liabilities	CHINA MAN-MADE FIBER CORPORATION	<u>\$ 2,883</u>	<u>\$ 5,727</u>

Name	2021	2020
<u>Interest expenses</u>		
CHINA MAN-MADE FIBER CORPORATION	<u>\$ 58</u>	<u>\$ 97</u>
<u>Rent expense</u>		
CHINA MAN-MADE FIBER CORPORATION	<u>\$ 286</u>	<u>\$ 286</u>

The rental was negotiated and agreed based on the rental prevailing in the neighborhood, and payable per month.

(11) Acquisition of property, plant, and equipment

Type and Name of related party	Prices of acquisitions	
	2021	2020
China Man-Made Fiber Corporation	<u>\$ 960</u>	<u>\$ -</u>

The board of directors passed a resolution on January 18, 2021 to purchase the building at No. 8, Jingjian Rd., Dashe Dist., Kaohsiung City 815 from China Man-Made Fiber Corporation. The contract price was NT\$960,000 and relevant taxes and fees were NT\$41,000, totaling NT\$1,001,000. The ownership transfer registration was completed on July 13, 2021.

(12) Other related party transactions

In December 2021 and 2020, the Company participated in the cash capital increase of Taichung Commercial Bank and, as a result, increased the investment amount by NT\$94,369 thousand and NT\$109,560 thousand, respectively. Where in the cash capital increase, the Company did not subscribe pro rata to shareholding ratio, the shareholding ratio came down from 5.64% to 5.58% in 2021 and from 5.73% to 5.64% in 2020.

(13) Rewards to management

The 2021 and 2020 total remuneration to directors and the other management are as follows:

	2021	2020
Short-term employee benefits	\$ 9,353	\$ 7,957
Retirement benefits	<u>713</u>	<u>561</u>
	<u>\$ 10,066</u>	<u>\$ 8,518</u>

The salaries and remunerations to directors and other key management were determined by the Salary Committee in accordance with the personal performances and trends in the markets:

27. Pledged assets

The assets as enumerated below had been provided to serve as collateral:

	December 31, 2021	December 31, 2020
TAROBO Restricted assets – bank deposits (Pledged time deposit certificates)	\$ 1,500	\$ 1,500
TAROBO Restricted assets – bank deposits (Indemnifier)	13,125	13,499
Investment into common shares	791,231	873,083
Property, plant and equipment		
Land	246,245	246,245
House and Building	<u>103,833</u>	<u>105,793</u>
	<u>\$ 1,155,934</u>	<u>\$ 1,240,120</u>

28. Significant undertakings or contingencies

As of December 31, 2021 and 2020, the credit accounts had been opened by the Company with credit lines having not been used are as enumerated below:

	December 31, 2021	December 31, 2020
USD	\$ 1,058	\$ 1,286

29. Other matters

- (1) The Company's distributors deposited NT\$2,000,000 in cash (under deposits received), pledged certificates of deposit of NT\$2,000,000 to the Company, and used a performance guarantee of NT\$2,000,000 issued by a bank and 100,000 shares of the Company as the performance bond.
- (2) The Company was affected by the global COVID-19 pandemic as the market demand shrank rapidly due to the outbreak of the pandemic. In addition, affected by the suspension of work for annual maintenance from February to May 2020, operating income significantly decrease from April to May 2020. The pandemic seemed to be slowing down by the end of 2020; however, it escalated again due to variants occurring abroad since 2021. The Central Epidemic Command Center under the Centers for Disease Control raised the pandemic alert to level 3 from May 17, 2021 and announced various anti-pandemic measures. Also, the Company suspended work for annual maintenance from March to May 2021. Thus, the operating income in May 2021 dropped significantly. As the pandemic was controlled and slowed down at the end of 2021, the company expects that operations will gradually return to normal. In response to the impact of the pandemic, we took the actions below:

1. Adjustment of operating strategies:

In response to the pandemic impact, the Company strictly controls its inventory. It purchases raw materials accurately based on strategic order requirements as a means to minimize safety stock. Furthermore, it accurately arranges production based on the actual number of orders placed by customers or agents to minimize inventory of finished products.

As of December 31, 2021, the Company's sales orders already gradually recovered. Meanwhile with the domestic pandemic slowing down, the domestic business trips and visits were reduced to avoid contact. Beyond the national borders, nevertheless, the pandemic threat remained austere. The Company, therefore, continually suspended business trips and customer visits abroad and still communicated with overseas customers by means of phone calls and video system.

As of December 31, 2021, the Company's sales orders already gradually recovered. The business operation was back to stability and normal manner. As appraised by the Company, our business toward the real estate, plant and equipment showed no signs of impairment.

2. Bailout measures from the government:

The Company applied to the government for salary and working capital subsidies on May 30, 2020. After the review process, the Company was approved by the Industrial Bureau of the Ministry of Economic Affairs on June 17, 2020 a subsidy in an amount of NT\$6,149 thousand approximately. As of December 31, 2020, the Company had received NT\$6,109 thousand subsidies which were entered into account as non-operating income and other income under expenditures.

30. Financial instruments

- (1) Fair value information- Financial instruments that are not measured at fair value

The management of the Company believes that the carrying amount of financial assets and liabilities not measured by fair values approaches their fair values.

- (2) Information on fair value – financial instruments at fair value on repetition.

1. Information on levels of fair value of financial instruments

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit and loss</u>				
Beneficiary certificates of funds	\$ 76,538	\$ -	\$ -	\$ 76,538
<u>Financial assets at fair value through other comprehensive profit or loss</u>				
Equity investment				
— Listed stocks – domestic and emerging stock	2,893,773	-	-	2,893,773
— Domestic non-listed (OTC) stocks	-	-	103,098	103,098
Debt instrument				
— Domestic financial deb	-	200,000	-	200,000
Total	<u>\$2,970,311</u>	<u>\$ 200,000</u>	<u>\$ 103,098</u>	<u>\$3,273,409</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit and loss</u>				
Beneficiary certificates of funds	\$ 62,072	\$ -	\$ -	\$ 62,072
<u>Financial assets at fair value through other comprehensive profit or loss</u>				
Equity investment				
— Listed stocks – domestic and emerging stock	3,027,380	-	-	3,027,380
— Domestic non-listed (OTC) stocks	-	-	69,112	69,112
Debt instrument				
— Domestic financial deb	-	204,052	-	204,052
Total	<u>\$3,089,452</u>	<u>\$ 204,052</u>	<u>\$ 69,112</u>	<u>\$3,362,616</u>

In 2021 and 2020, there was no transfer of fair values measures in Level I and Level II.

2. Financial instruments are adjusted according to Level 3 fair value.

2021

	<u>Financial assets at fair value through other comprehensive profit or loss</u>		
Financial Assets	Equity instruments	Debt instruments	Total
Balance, beginning of year	\$ 69,112	\$ -	\$ 69,112
Recognized in the other comprehensive income (Unrealized valuation gain or loss on financial assets at fair value through other comprehensive profit or loss)	33,986	-	33,986
Balance, end of year	<u>\$ 103,098</u>	<u>\$ -</u>	<u>\$ 103,098</u>

2020

Financial Assets	Financial assets at fair value through other comprehensive profit or loss		
	Equity instruments	Debt instruments	Total
Balance, beginning of year	\$ 39,792	\$ -	\$ 39,792
Recognized in the other comprehensive income (Unrealized valuation gain or loss on financial assets at fair value through other comprehensive profit or loss)	29,320	-	29,320
Balance, end of year	<u>\$ 69,112</u>	<u>\$ -</u>	<u>\$ 69,112</u>

3. Techniques and input value for measurement of Level 3 fair value

Categories of financial instruments	Evaluation techniques and input values
Investment equity not listed at TWSE (TPEX)	<p>Asset approach: The Company referred to the net asset value measured by an independent external agency at fair value to evaluate the fair value of the investment target.</p> <p>Market approach: The Company evaluated the fair value of the investment target with reference to the recent operating activities of the investment target or the market transaction price and market conditions toward the similar targets.</p>

4. The measurement of Level 3 fair value is the sensitivity analysis of the reasonable substituted assumption of fair value

The Company's fair value measurement of financial instruments proves reasonable and such third-level fair value measurement does not use a self-built evaluation model. In turn, there was no need to perform a sensitivity analysis toward the possible alternative assumptions.

(3) Categories of financial instruments

	December 31, 2021	December 31, 2020
<u>Financial Assets</u>		
Measured at fair values through profit and/or loss		
Measured at fair value through income under compulsion	\$ 76,538	\$ 62,072
Financial assets on the basis of cost after amortization (Note 1)	753,174	892,436
Financial assets at fair value through other comprehensive profit or loss		
Equity investment	2,996,871	3,096,492
Debt instrument	200,000	204,052

Financial Liabilities

Based on cost after amortization (Note

2)	2,863,354	2,931,781
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Note 1: The balance includes cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (excluding tax refunds receivable), restricted assets – current (other current assets listed in the account) and security deposits paid and refundable (entered as other assets in account) as well as other financial assets measured at post-amortization cost.

Note 2: The balance includes short-term loans, short-term bills payable, accounts payable (including related parties), other payables, long-term loans (including amounts due

within one year) and deposits, and the like which are measured at post-amortization cost financial liabilities.

(4) Financial risk management objectives and strategies

The Company's major financial instruments include investment into equity and liability instruments, notes receivable, accounts receivable (including related parties), accounts payable (including related parties), other payables and borrowings. The Company's financial management department provides services to each business unit, coordinates the operation of access to domestic and international financial markets, and monitors and manages financial risks associated with the Company's operations through internal risk reports that analyze risk exposures based on risk degree and breadth. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

1. Market risk

The company's operating activities subjecting the company to shoulder key financial risks being the foreign exchange rate fluctuation risk, interest rate fluctuation risk and equity securities pricing fluctuation risk.

(1) Exchange rate risk

The Company is engaged in sales and purchase transactions denominated in foreign currencies. Accordingly, the Company is exposed to exchange rate related risks. Approximately 59% of the Company's sales are denominated in functional currencies and approximately 23% of the cost amount is denominated in functional currencies. The company's exchange rate exposure management is within the permitted scope of the policies and with the use of forward foreign exchange contract to manage risk.

For the carrying amount of monetary assets and monetary liabilities denominated in non-functional currencies of the Company as of the balance sheet date, please refer to Note 32 for more details.

Sensitivity analysis

The Company is primarily affected by fluctuations in the exchange rate of the U.S. dollar currency.

The following table details the sensitivity analysis of the Company about the fact when the exchange rate of New Taiwan dollars (functional currency) to the relevant foreign currency with either increase or decrease by 3%. The 3% sensitivity rate is used for the Branch's reporting exchange rate risk to management; also, it is management's reasonable estimation of the possible fluctuation in exchange rates.

The sensitivity analysis includes only the outstanding foreign currency monetary items; also, the translation at yearend is adjusted with the change in exchange rate by 3%. The positive figures in the below table indicate that when various relevant currencies are devaluating at 3%, which will affect the pretax net earnings' amount; when NTD is appreciating by 3% to various relevant currencies, its impact to the pretax net earnings will be at the same amount but in a negative figure.

The impact of the U.S. dollar

	2021	2020
Profit and loss	\$ 8,692	\$ 11,916
(2) Interest rate risk		

The Company is exposed to interest rate risks due to funds borrowed at floating interest.

The carrying amount of financial assets and liabilities of the Company under interest rate exposure on balance sheet date is as follows:

	December 31, 2021	December 31, 2020
With fair value interest rate risk		
- Financial Liabilities	\$ 450,000	\$ 400,000
Contain cash flow interest rate risk		
- Financial Assets	201,500	205,552
- Financial Liabilities	2,182,000	2,350,000

The cash flow risk of interest rate changes is a liability with floating interest rate. Accordingly, where changes in market interest rates will cause the effective interest rate of short-term and long-term borrowings to change, the future cash flows will fluctuate in response.

Sensitivity analysis

The following sensitivity analyses are based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. For liabilities with floating rate, it is analyzed by assuming the liabilities on the balance sheet date are outstanding throughout the reporting period. The fluctuation rate used on the interest rate in company internal report to key management level is at the interest rate plus or minus 100 base points, which also represents company management's assessment on rational probable fluctuation range on the interest rate.

Where interest rates increase/decrease by 100 base points and where all other variables remain unchanged, the Company's pre-tax net profit during the year 2021–2020 will decrease/increase by NT\$19,805 thousand and NT\$21,444 thousand.

(3) Other price-oriented risks.

The Company generates equity price risk insurance as a result of its investment in equity securities. The said equity investment is not held for trading but is a strategic investment instead. The Company has not actively traded such investments. The Company's equity price risk is primarily concentrated on the equity instruments of the petrochemical industry on the transaction in Taiwan area.

Sensitivity analysis

The below listed sensitivity analysis has been sought by equity pricing exposure on the balance sheet date.

Where the equity price increases/decreases by 15%, the Company's pre-tax profit and loss during the year 2021 and 2020 would increase/decrease NT\$11,481 thousand and NT\$9,311 thousand as a result of changes in the fair value of financial assets measured at fair value through profit and loss. During the year 2021 and 2020, other comprehensive profit and loss before tax would increase/decrease by NT\$449,531 thousand and NT\$464,474 thousand as a result of changes in equity instruments measured at fair value.

Compared to the preceding year, the Company's sensitivity to the above-mentioned securities equity investments has not changed significantly.

2. Credit risk

The term "credit risk" as set forth here incurred by the transaction counterparty's default in the obligations under a contract. As of the balance sheet date, the Company's maximum credit risk exposure of financial loss due to the counterparty's failure in fulfilling contractual obligations is mainly derived from the book value of the financial assets recognized on the balance sheet.

To mitigate the credit risk, the company management has assigned designated personnel responsible for determining the line of credit cap, loan approval and adopting other adequate monitoring procedure, through which to ascertain that adequate action has been taken on recalling overdue receivables. In addition, the Company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Under the circumstance, the Company's management believes that the Company's credit risk is significantly reduced.

The company continues to assess the financial condition of the customers of accounts receivable.

The Company does expose to any major credit risk against any single transaction counterparty or any group of counterparties with similar characteristics in any single transaction. Whenever a counterparty is a related company to each other, the Company defines it as a transaction counterparty with similar characteristics.

3. Liquidity risk

The Company manages and maintains adequate cash and cash equivalents to uphold the Company's business operation and to abate the impact from cash flow fluctuations. The Company's management monitors the use of banking facilities and ensures the compliance of loan agreement.

Bank loan is a main source of liquidity to the company. Please refer to Note (2) "introduction of financing quota" for the Company's unused financial quota as of December 31, 2021 and 2020.

(1) Table of liquidity and potential interest rate risk of non-derivative financial liabilities

Non-derivative financial liabilities remaining contract maturity analysis is prepared in accordance with the consolidated company's undiscounted cash flow of financial liabilities on the possible earliest repayment date upon request. The following table shows the earliest times that the Company may be demanded to make immediate repayment of bank loans, without considering the likelihood of such demands. Maturity analysis of other non-derivative financial liabilities is prepared based on the agreed repayment date.

December 31, 2021

	0–30 days	31–90 days	91–180 days	181 days to 1 year	Over 1 year	Total
<u>Non-derivative financial liabilities</u>						
Shot-term borrowings	\$460,000	\$250,000	\$ -	\$300,000	\$ -	\$1,010,000
Short-term notes payable	200,000	150,000	100,000	-	-	450,000
Long-term borrowings	5,000	10,000	25,000	479,000	653,000	1,172,000
Accounts payable	38,753	132,513	680	-	-	171,946
Other payables	44,579	11,864	965	-	-	57,408
Lease liabilities	242	484	725	1,451	-	2,902
Deposits received	-	-	-	-	2,000	2,000
	<u>\$748,574</u>	<u>\$554,861</u>	<u>\$127,370</u>	<u>\$780,451</u>	<u>\$655,000</u>	<u>\$2,866,256</u>

December 31, 2020

	0–30 days	31–90 days	91–180 days	181 days to 1 year	Over 1 year	Total
<u>Non-derivative financial liabilities</u>						
Shot-term borrowings	\$430,000	\$250,000	\$ -	\$300,000	\$ -	\$980,000
Short-term notes payable	200,000	100,000	100,000	-	-	400,000
Long-term borrowings	5,000	10,000	25,000	539,000	791,000	1,370,000
Accounts payable	25,214	104,899	770	-	-	130,883
Other payables	39,595	7,641	1,662	-	-	48,898
Lease liabilities	504	1,008	1,513	2,763	2,902	8,690
Deposits received	-	-	-	-	2,000	2,000
	<u>\$700,313</u>	<u>\$473,548</u>	<u>\$128,945</u>	<u>\$841,763</u>	<u>\$795,902</u>	<u>\$2,940,471</u>

(2) Financing amount

	December 31, 2021	December 31, 2020
Unsecured bank overdraft limit (subject to review anew on an annual basis)		
The loan quota used	\$ 2,034,459	\$ 2,042,247
The loan quota not yet used	<u>460,541</u>	<u>332,753</u>
	<u>\$ 2,495,000</u>	<u>\$ 2,375,000</u>
Secured bank overdraft line		
The loan quota used	\$ 627,000	\$ 745,000
The loan quota not yet used	<u>10,000</u>	<u>28,000</u>
	<u>\$ 637,000</u>	<u>\$ 773,000</u>

31. Capital risk management

Under the premise of capital management for assuring sustainable operation, the Company seeks to maximize return to shareholders through the optimization of debts and equity balance. There are no change to the company's overall strategy.

The Company's capital structure is composed of the net liabilities of the Company (i.e. the loans minus cash and equivalent cash) and equity (i.e. share capital, capital reserve, retained earnings and other equity items).

The Company's management reviews the capital structure yearly, and the reviews include taking into consideration the cost of capital and the risks associated with each class of capital. The Company based on the suggestions of management has the overall capital structure balanced by paying dividends, issuing new shares, buying back shares and issuing new debts or paying back old debts.

32. Information on foreign currency financial assets and liabilities subject to significant impact

The information about foreign currency financial assets and liabilities rendering material effect on the Company:

December 31, 2021

	Foreign Currency	Foreign Exchange Rate	NTD
Foreign currency assets			
<u>Monetary Items</u>			
USD	\$ 10,467	27.68	\$ 289,717
<u>December 31, 2020</u>			

	Foreign Currency	Foreign Exchange Rate	NTD
Foreign currency assets			
<u>Monetary Items</u>			
USD	\$ 13,946	28.48	\$ 397,182

The Company is primarily subject to the foreign currency exchange rate risk in U.S. dollars. The following information is presented in the functional currency of each entity possessing foreign currency. The disclosed exchange rate refers to the exchange rate of such functional currency converting into the presentation currency. Those realized and unrealized foreign currency exchange gains and losses subject to significant impact are as enumerated below:

	2021		2020	
Foreign Currency	Foreign Exchange Rate	Net exchange loss	Foreign Exchange Rate	Net exchange loss
USD	28.01 (USD:NTD)	(\$ 10,679)	29.55 (USD:NTD)	(\$ 19,861)

33. Disclosures

(1) Material transactions and (2) transfer investment information:

1. Loans to others: None.
2. Endorsements/guarantees to others: None.
3. Marketable securities held – end of year

Unit: Thousand shares Currency unit: NTD Thousand

Holder of Securities	Type and Name of Securities	Affiliation with Securities Issuer	Account Title	Ending				Remark
				Quantity	Book Value	Shareholding %	Market Value	
Pan Asia Chemical Corporation	<u>Beneficiary certificates of funds</u>	Affiliated enterprises	Financial assets at fair value through profit or loss- current	743	\$ 29,251	-	\$ 29,251	77,954 thousand shares pledged
	Reliance Taiwan Main Stream Small & Medium Cap Fund	"	"	1,319	24,146	-	24,146	
	TAROBO Robts Quant Chinese Fd.	"	"	420	23,141	-	23,141	
	The RSIT First Digital Fund	"	"		\$ 76,538	-	\$ 76,538	
	<u>Shares traded on the Taiwan Stock Exchange or OTC exchange</u>	Parent company	The financial assets measured for the fair values through other comprehensive income- non-current	261,501	2,654,233	16	2,654,233	
	CHINA MAN-MADE FIBER CORPORATION							
	Taiwan Tea Corporation	N/A	"	11,800	239,540	1	239,540	
	<u>Non listed (OTC) domestic stock</u>	N/A	"	309	28,098	-	28,098	
	TWSE	A company controlled by CHINA MAN-MADE FIBER CORPORATION	"	12,000	75,000	18	75,000	
	Chung Chien Investment Co., Ltd.	N/A	"	120	-	-	-	
	Chung Shing Textile Co., Ltd.							
	<u>Domestic bond</u>	Affiliated enterprises	"	20	200,000	-	200,000	
	Taichung Commercial Bank financial bonds				\$ 3,196,871	-	\$ 3,196,871	

4. Cumulative amount of the same marketable securities purchased or sold reaching NT\$300 million or more than 20% of the Paid-in shares capital: None.
5. Acquisition amount of real estate reaching NT\$300 million or more than 20% of the Paid-in shares capital: None.
6. Disposal of real estate reaching NT\$300 million or more than 20% of the Paid-in shares capital: None.
7. Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital.

Unit: NTD thousand

Purchaser/ Seller	Trading Counterpart	Affiliation	Status				Distinctive terms and conditions of trade and the reasons		Receivable (payable) accounts/notes		Remark
			Purchase (sale)	Amount	Percentage in total purchase (sale) amount %	Duration	Unit Price	Duration	Balance	Percentage in total receivable (payable) accounts/notes %	
Pan Asia Chemical Corporation	CHINA MAN-MADE FIBER CORPORATION	The parent company	Purchase	\$ 755,002	54%	30-60 days	Other than some purchases without similar types available for a comparison, there are no major differences when compared with ordinary manufacturers.	30-180 days for the general transactions	(\$125,853)	(73%)	

8. Accounts receivable-related party reaching NT\$100 million or more than 20% of the Paid-in capital: None.
9. Transactions in engaging in derivative financial instruments: None.
10. Other information: Amount of the business relationship and major transactions between parent company and subsidiaries and among subsidiaries: None.
11. Information about the investee's name, location.....

Unit: NTD thousand

Investor	Investor	Location	Major Business Lines	Initial Investment Amount		Equity Ownership by the Company			Current period net gain (loss) of the investee	Investment gain (loss) recognized in current period	Remark
				Current period-ending	Previous period-ending	Quantity	Percentage %	Book Value			
Pan Asia Chemical Corporation	Taichung Commercial Bank	Taichung City	Banking business	\$ 1,551,763	\$ 1,457,394	\$253,261	6%	\$ 3,541,067	\$ 4,796,274	\$270,402	
	Taichung Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust business	15,738	15,738	979	3%	13,481	(1,649)	(51)	
	Melasse	Taipei City	Cleaning products manufacturing	14,500	14,500	1,450	50%	10,721	(6,633)	(3,316)	
Taichung Commercial Bank	Taichung Commercial Bank Lease Enterprise	Taipei City	Leasing industry	1,800,000	1,800,000	198,964	100%	2,035,325	100,258	100,258	
	Taichung Bank Insurance Agency Co., Ltd.	Taichung City	Insurance agency	6,000	6,000	128,600	100%	1,901,022	217,094	217,094	
	Taichung Commercial Bank Securities Co., Ltd.	Taichung City	Securities business	1,500,000	1,500,000	146,748	100%	1,962,752	462,797	462,797	
Taichung Commercial Bank Lease Enterprise	Taichung Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust business	120,000	120,000	12,000	38%	165,124	(1,649)	(592)	
	TCCBL Co., Ltd.	British Virgin Islands	Financing, leasing and investments.	893,373	893,373	30,000	100%	826,294	41,185	41,185	
	Taichung Bank Venture Capital Co., Ltd.	Taipei City	Venture Investment	210,000	210,000	21,000	100%	208,594	(6,138)	(6,138)	
Taichung Commercial Bank Consolidated Securities Co., Ltd.											

(3) Information about investment in Mainland China

Unit: NTD thousand

Investee	Major Business Lines	Paid-in capital	Mode of investment	Amount remitted from Taiwan in accumulation at beginning of the present term	Investment Remittance or Regain during the current period		Amount remitted from Taiwan in accumulation at ending of the present term	Current period net gain (loss) of the investee	The Company's Direct or Indirect Investment Holding Ratio %	Investment loss recognized in current period (Note 1)	Book Value of Investment at the End of the Period	Investment return already remitted back as of the present term
					Remittance	Regain						
Taichung Commercial Bank Leasing (Suzhou) Ltd.	Financing Leasing and investments	\$893,373 (CNY186,329 thousand)	Investment in Mainland China via a company in existence in a third country/territory	\$893,373 (CNY186,329 thousand)	\$ -	\$ -	\$893,373 (CNY186,329 thousand)	\$ 40,289 (CNY9,304 thousand)	5.58%	\$ 2,248 (CNY519 thousand)	\$43,612 (CNY10,040 thousand)	\$-

Amount accumulated, remitted from Taiwan for investment in Mainland China at the end of the current term	Investment Amount Approved by Investment Commission of MOEA	Mainland China Investment Ceiling As Regulated by Investment Commission of MOEA (Note 2)
\$ 893,373	\$ 893,373	\$ 1,221,195

Note 1: The investment gain (loss) recognized based on the financial statement audited and certified by an independent external auditor.

Note 2: The ceiling calculated by the applicant, Taichung Commercial Bank Lease Enterprise, according to the "Regulations Governing the Review of Investment or Technical Cooperation in Mainland China" of Investment Commission, MOEA.

Note 3: The foreign currency, if any, has been translated into NTD (CNY1=NTD4.34, CNY1=NTD4.33) at the foreign exchange rate-ending and average foreign exchange rate prevailing on the date of the financial statement.

- (3) Information about investment in Mainland China:
1. Invested company's name, business operations, paid-in capital, investment method, capital inward or outward, shareholding ratio, investment gains and losses, investment yearend book value, investment income and loss inward, and investment limits in Mainland China. (Schedule 4)
 2. With Mainland China, major transactions, and other prices, payment conditions, unrealized gains and losses that happened directly or indirectly through the third region by the investment company.
 - (1) Input amounts, percentages, balance, and percentages of relevant payable at end of the term: None.
 - (2) Sales amount and percentage thereof and the ending balance and percentage of related receivables: None.
 - (3) Amount of property transaction and amount of the profit and/or loss so incurred: None.
 - (4) Balance and purposes of endorsements/guarantees or collateral provided at end of the term: None.
 - (5) The highest balance of fund financing balance at end of the term, range of interest rates and total amount of interest in the current term: None.
 - (6) Other transactions having significant effect upon profit and/or loss or financial standing of the current term, e.g. provision or acceptance of services: None.
 - (4) Information of key shareholders: The names of the shareholders holding a shareholding ratio up to 5% or more, the amount and proportion of their shareholding.

Name of Principle shareholder	Stock	
	Shareholding (shares)	Shareholding
CHINA MAN-MADE FIBER CORPORATION	145,650,946	44.40%
Sheng Jen Knitted Textiles Co., Ltd.	20,342,088	6.20%
Chung Chien Investment Co., Ltd.	16,808,285	5.12%

34. Segment information

Departmental information is intended to be provided to major operating decision makers to allocate resources and evaluate departmental performance in a prudential manner. It focuses on the types of products or services delivered or provided. In the Company, the departments that should be reported are as enumerated below:

- (1) Revenues and operating results of segments

Revenues and operating results of the company's continuing units are analyzed in accordance with segments to be reported, which are summarized as follows:

	Department income		Gain (loss) from operation	
	2021	2020	2021	2020
Department of Chemical Industry – EOD Plant	\$ 1,422,007	\$ 1,240,511	\$ 92,477	\$ 70,399
Department of Chemical Industry – Esterification Plant	305,570	217,170	(22,329)	(29,208)
Other Depts.	-	-	277,270	215,111
Total from continuing operations	<u>\$ 1,727,577</u>	<u>\$ 1,457,681</u>	<u>\$ 347,418</u>	<u>\$ 256,302</u>

Revenues reported above are generated from transactions with external customers. There were no inter-departmental sales generated in 2021 and 2020.

The term department profits refers to profits earned by each department, which does not include income tax expenses. The measured figures are provided for main decision - makers to allocate resources to segments and evaluate the performance of each segment.

(2) Total segment assets		
Segment assets	December 31, 2021	December 31, 2020
Chemical Industry—EOD		
Plant	\$ 620,654	\$ 592,438
Chemical Industry—		
Esterification Plant	352,465	358,361
Others	7,816,587	7,705,481
Total segment assets	<u>\$ 8,789,706</u>	<u>\$ 8,656,280</u>

(3) Information of key customers

During the year 2021 and 2020, the sales revenues came to NT\$1,727,577 thousand and NT\$1,457,681 thousand; of which, NT\$180,844 thousand and NT\$255,138 thousand respectively came from the Company's top customer. During the year 2021 and 2020, there was no other income from a single customer that accounts for more than 10% of the Company's total income.

V. State of the company and its affiliated enterprise's financial turnover for the most recent year and up to the yearly reporting printing date: None.

Seven. Review of financial status, business performance, and risk management issues

I. Individual financial standings

Table of Comparative Analysis of Financial Conditions

Unit: NTD thousand

Items \ Year	2020	2021	Variation	
			Amount	%
Current assets	1,065,622	1,057,203	(8,419)	(0.79)
Property, plant and equipment	988,193	931,276	(56,917)	(5.76)
Intangible assets	55	184	129	234.55
Other current non-assets	6,602,410	6,801,043	198,633	3.01
Total assets	8,656,280	8,789,706	133,426	1.54
Current liabilities	2,165,031	2,245,910	80,879	3.74
Non-current liabilities	857,505	718,057	(139,448)	(16.26)
Total liabilities	3,022,536	2,963,967	(58,569)	(1.94)
Capital stock	3,023,284	3,280,263	256,979	8.50
Capital surplus	872,725	872,725	0	0
Retained earnings	1,088,352	1,126,609	38,257	3.52
Other equity	649,383	546,142	(103,241)	(15.90)
Treasury shares	0	0	0	0
Total shareholders' equity	5,633,744	5,825,739	191,995	3.41
Description on significant changes (where a change is more than 20% before or after, and the amount involved in a change is up to NT\$10 million): In the present term, there was no significant change in the increase or decrease ratio.				

II. Performance in individual finance

Financial performance comparative analysis

Unit: NTD thousand

	2020	2021	Increase (decrease) in amount	Variation (%)
Operating revenue	1,457,681	1,727,577	269,896	18.52
Operating cost	(1,312,156)	(1,533,986)	221,830	16.91
Gross profit	145,525	193,591	48,066	33.03
Operating expenses	(103,679)	(123,445)	19,766	19.06
Net Operating Income	41,846	70,146	28,300	67.63
Non-operating revenues and expenses	214,456	277,272	62,816	29.29
Income before tax from continuing operations	256,302	347,418	91,116	35.55
Income tax expenses	(8,371)	(4,440)	(3,931)	(46.96)
Net income	247,931	342,978	95,047	38.34
Earnings per share	0.76	1.05	0.29	38.16

Analysis on changes:

Gross profit and net income increased as the selling price increased in 2021.

Non-operating income and expenses increased as the income recognized under the equity method and the dividends received increased.

Profit before tax, net income, and earnings per share increased as the selling price increased in 2021.

III. Cash flow analysis

(I) Analysis of changes in cash flow in the present year

Unit: NTD thousand

Cash balance at end of the term (December 31, 2020)	Net cash flow from operating activities for the year (2021)	Net annual cash flow amidst investment and wealth management activities (2021)	Annual net cash flow from financing activities (2021)	The amount of cash surplus (inadequacy) (as of December 31, 2021)	Remediation measures against expected cash flow deficit	
					Investment	Wealth management
632,489	158,641	(105,920)	(169,059)	516,151	Not applicable	Not applicable

1. Net cash inflow from operating activities: Due primarily to the operating income and the increase in cash inflow from dividends.
2. Net cash outflow from investing activities: Due primarily to the investment in Taichung Commercial Bank Co., Ltd.'s cash capital increase and business facilities.
3. Net cash inflow from financing activities: Due primarily to the repayment of long-term loans.

(II) Remedial measures toward the cash inadequacy and liquidity analysis: No cash shortage in the term.

(III) Liquidity analysis for the next year:

Unit: NTD thousand

Opening cash balance (December 31, 2021)	Net cash flow from operating activities for the year (2022)	Net annual cash flow amidst investment and wealth management activities (2022)	Cash surplus (deficit) (December 31, 2022)	Remediation measures against expected cash flow deficit	
				Investment	Wealth management
516,151	170,557	(119,313)	567,395	Not applicable	Not applicable

IV. Material capital expenditures in the latest year and impacts on business

performance:

In year 2021, the capital expenditure amounted to approximately NT\$11.78 million, casting no significant impact on the Company's financial standing.

V. The major causes for profits or losses incurred by investments during the most recent year; rectifications and investment plans for the next year

- (I) Reinvestment policy within the most recent year: In the year 2021, Pan Asia Chemical Corporation participated in the cash capital increase of Taichung Commercial Bank Co., Ltd. with an amount of NT\$94,369 thousand.
- (II) Explanation of the profit and loss in the reinvestment: Where the Company adhered to the principle of stable operation, the reinvestment business was in a sound risk control toward sound business development. The Company was in very sound cooperation amidst the promotion of business and all other aspects with satisfactory performance, the Company was in continued profitability in the reinvestment.
- (III) Investment plan scheduled toward the upcoming year: As of February 28, 2022, there was no major investment plan ahead.

VI. Risk disclosure

- (I) The impact of changes in interest rate, exchange rate, and inflation on the Company's profit or loss in recent years, and future response measures:

- 1. The impact of changes in interest rate, exchange rate, and inflation on the Company's profit or loss in the last two years:

- (1) Interest rate:

- The Company is exposed to interest rate risks due to funds borrowed at floating interest.

- Where interest rates increase/decrease by 100 base points and where all other variables remain unchanged, the Company's pre-tax net profit during the year 2021–2020 will decrease/increase by NT\$19,805 thousand and NT\$21,444 thousand.

- (2) Exchange rate:

- The Company has engaged in sales and purchase transactions denominated in foreign currencies, so it has exposed to the risk of exchange rate fluctuations, and the management of exchange rate exposures is within the scope permitted by the policy, and forward foreign exchange contracts are adopted to manage such potential risks. Where the exchange rate of USD to NTD appreciates/depreciates by 3% and where all other variables remain unchanged, the Company's pre-tax net profit during the year 2021–2020 will decrease/increase by NT\$8,692 thousand and NT\$11,916 thousand, respectively.

- (3) Inflation:

- Given the annual growth rate of the consumer price index in the year 2021, the inflation issue posed little impact upon the Company's profit and loss. Meanwhile, on the Company's sales and sales prices, the Company took reference to market updates with adjustment in due time.

- 2. The company's tangible measures for countering exchange rate fluctuation, interest rate fluctuation and inflation:

- The Company has engaged in sales and purchase transactions denominated in foreign currencies. In response to exchange rate fluctuations, the Company

adopted the exchange rate to appropriately hedge financial instruments under the conservative principle and within the scope permitted by the Company's specified policy, such as the use of forward foreign exchange contracts to manage such potential risks.

- (II) The policy of engaging in high-risk, highly leveraged investments, loaning of funds, endorsements and guarantee, and derivatives trading, the main reason for profit or loss, and future response measures:

The Company did not engage in high-risk, high-leverage investment or in derivative commodity transactions. For cases of fund loaned to others, endorsement guarantees, the Company handled prudently exactly in accordance with the Procedures for Loaning of Funds to Others and "Procedures for Endorsements/Guarantees" prudentially enacted by the Company.

- (III) The annual R&D plan of the most recent, the current progress of the R&D plan that has not yet been completed, the R&D expenses that need to be invested, and the estimated timepoint to complete volume production. The very key factors that would possibly affect the success of R&D in the days and years ahead:

Recent annual plans	Status	R&D expenses required to be reinvested	Expected production date	Key factors to success of future R&D
Development of cleaning product formula	The Company prudentially adjusts the formula to closely satisfy the needs of customers and prepares for the enterprise transformation.	NT\$10 million	December 2024	a. A well-established sound potential customer base. b. Existent production technology.
Development of non-ionic surfactants oriented to the electronics industry	Carry out product testing and development in response to customer needs	NT\$10 million	December 2026	a. Team up with customer(s) to set up a complete test database b. Develop potential and reliable customer bases.
Lubricating synthetic ester	Diversified products	NT\$10 million	December 2024	On the grounds of existent experience and good customer base
Development of non-ionic surfactants	Diversified products	NT\$10 million	December 2024	On the grounds of existent experience and good customer base

- (IV) The impact of changes in significant domestic and foreign policies and laws upon the Company's financial performance in the most recent years and the corresponding countermeasures:

In response to significant changes in significant domestic and foreign policies and laws in the most recent years, the Company has worked out appropriate protective measures and is not supposed to be subject to a significant impact on the Company's financial performance.

- (V) Effect of changes in technology (including information and communication security risks) and industrial changes on the company's financial operations and countermeasures:

Pan Asia Chemical Corporation is a traditional petrochemical manufacturing industry, and changes in technology in recent years would have not had a significant impact upon the Company's financial performance.

- (VI) The impact of changes in corporate image in recent years upon the Company's corporate crisis management and countermeasures:

The Company's management has, as always, attached importance to the decent image of the Company and operated business at a steady pace. The company image has not changed significantly in the last year and it has not yet had a major impact on the crisis management of the Company at all. In the days and years ahead, the Company will continue to uphold such sound principle to assure sustainable operations.

- (VII) Expected result and possible risks of mergers and acquisitions and Counter assessments: None.

- (VIII) The expected benefits, potential risks of a plan to expand the plant and countermeasures: The Company does not have such a plan for the time being.

- (IX) The risk confronting the incoming goods or goods sold and the countermeasures: upon assessing it, the risk is low, but the company would continue to step up the collaboration relations as the countermeasure.

- (X) The risks and impacts of significant shareholding transfers by directors, supervisors, or major shareholders with more than 10% ownership interest, and the responsive measures to such risks: None.

- (XI) The effects, risks and responsive measures associated with changes in management: not applicable.

- (XII) Litigation or non-litigation events: None

- (XIII) Other significant risks and countermeasures: Description of information security risk assessment analysis (such significant operational risks, and countermeasures which should be disclosed in full):

1. All computers of the entire Company have been installed with anti-virus software and have been updated with virus codes on a regular basis. The Company has further set up a network firewall to prevent hackers, virus attacks and or any sorts of damage.
2. The Company has elaborately built a virtualized server environment along with a fault-tolerant environment to maximize availability. For the data backup of application software and database, the Company has adopted an automatic backup mechanism and a regular version to exercise the disaster recovery plan on an annual basis to minimize the potential risk.
3. The Company has developed system access control and password mechanisms to avoid potential information security risks.
4. The computer mainframe room has been equipped with sound access control system, redundant air conditioning equipment and backup uninterruptible power system protection. The temperature sensing alarm notification system is linked up to the automatic gas firefighting equipment to assure the uninterrupted normal operation of the system all the time.
5. The Company puts into implementation thoroughly information security advocacy to strengthen employees' personal awareness and watchfulness of information security to minimize potential human risks.

(XIV) Organizational structure of risk management

Responsible/ executing unit(s)	Items subject to implementation	Contents of implementation
Company management policymaking task force	Operational policymaking related risks	The Company's short- and long-term development orientations, operation strategies. objective and overall risk assessment.
Treasury Dept.	Financial management related risks	Fund scheduling & management, investment planning, customer credit standing control, business analysis and cost analysis.
Audit Office	Internal control related risks	Evaluation into internal control system regarding the soundness and effectiveness

VII. Other Material Issues

(I) Regulations Governing Amortization for Allowance Loss

Here at the Company, we adopt the simplified approach of IFRS 9 to recognize the allowance loss of accounts receivable on the grounds of the expected credit loss during the duration. As indicated by the Company's credit loss history, there is no significant difference in the loss patterns among different customer groups. The preparation matrix, therefore, does not further distinguish the customer groups. It only aims at the balance of the accounts receivable on the balance sheet date. The Company would fix the expected credit loss rate based on the number of days in the overdue accounts receivable.

(II) In the year 2021, the allowance loss for accounts receivable measured according to the preparation matrix is as enumerated below:

	Not overdue	Overdue 1 to 60 days	Total
Expected credit loss rate	0%-1.03%	0%-2%	-
Total Book Value	190,662	6,036	196,698
Anticipated credit loss within the perpetuity of the financial assets	(1,950)	(62)	(2,012)
Cost after amortization	188,712	5,974	194,686

2. Both related party transactions and non-related party transactions are subject to the expected credit loss rate mentioned in the preceding paragraph.

3. On the grounds of the principle of materiality, where the amount of the allowance loss that should be adjusted is not material, it may be ignored.

(III) The approach and period of depreciation for real estate, plant and equipment:

1. The Company adopts a straight-line basis to set depreciation based on the following service life:
2. In case of fixed assets with continued usage after the end of specified useful life, their residual value would continue to be depreciated according to the estimated period of useful years.

Items	Useful life
House and Building	20–55 years
Machine and Equipment	3–25 years
Transportation Equipment	6–10 years
Office Equipment	3–10 years
Other equipment	3–10 years

Eight. Special remarks

I. Affiliation Report

Statement of Declaration

The Bank Affiliation Report 2021 (from January 1 to December 31, 2021) was prepared in accordance with the “Criteria Governing Preparation of Report on Affiliations, Consolidated Business Reports and Sale or Contribution of Assets between an Investor and its Associate or Joint Venture of Affiliated Enterprises,” and the information disclosed herein is materially consistent with that disclosed in the notes to the financial statement for the previous period.

Company name: Pan Asia Oil & Chemical Corporation

Responsible person: Kuei-Hsien Wang

March 14, 2022

CPA's Review Comments

To Pan Asia Chemical Corporation:

The financial statements of Pan Asia Chemical Corporation of the year 2021 have been audited by the undersigned certified public accountants in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards. Accordingly, we duly issued an unqualified audit report on March 14, 2022. The purpose of the present auditing effort is to express opinions on the overall adequacy of the financial statements. The 2021 Affiliation Report prepared by the Pan Asia Chemical Corporation, is attached. Such report was prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Sale or Contribution of Assets between an Investor and its Associate or Joint Venture of Affiliated Enterprises." An audit review requires us to proceed with the necessary procedures, including the acquisition of customer's declaration and the confirmation on related information. The review has been successfully accomplished.

In our opinion, the Affiliation Report for 2021 prepared by Pan Asia Chemical Corporation, is in compliance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Sale or Contribution of Assets between an Investor and its Associate or Joint Venture of Affiliated Enterprises" and the contents of financial information are identical with those presented in the financial statements. No material amendments to the information shall be required.

Deloitte & Touche

CPA: Hsu Wen-Ya

Accountant: Su-Huan Yu

Securities and Futures Commission Approval
No.

Tai-Tsai-Cheng (VI) No. 0920123784

Securities and Futures Commission
Approval No.

Tai-Tsai-Cheng (VI) No. 0920123784

March 14, 2022

(I) Relations between parent and subsidiaries

Unit: share; %

Name of holding company	Reason of holding	Status of shareholding and lien of stock by holding company			Directors, Supervisors or managers appointed by holding company	
		Quantity of Shares	Shareholding	Shares under lien	Title	Name
CHINA MAN-MADE FIBER CORPORATION	Parent company of this company	145,650,946 Shares	44.40%	-	-	-
Chung Chien Investment Co., Ltd.	In indirect control over the Company's personnel, financial or business management	16,808,285 Shares	5.12%	9,000,000 Shares	Director	Jeh-Yi Wang Kuei-Hsien Wang
Pan Asia Investment Co., Ltd.	In indirect control over the personnel, financial or business management of the Company's parent company	-	-	-	-	-

(II) Transactions between subsidiaries and Parent Name of enterprise:

1. Purchase (sales) transactions

Unit: NTD thousand; %

Name of holding company	Transactions with controlling companies			Trading conditions with controlling companies		General trading condition		Cause of variation	Receivable (payable) accounts/notes	
	Purchase (sale)	Amount	Percentage in total purchase (sale) amount	Unit Price	Duration	Unit Price	Duration		Balance	Percentage in total receivable (payable) accounts/notes %
CHINA MAN-MADE FIBER CORPORATION	Purchase	755,002	54%	-	30-60 days	-	30-180 days	Where the types of purchases differ from general manufacturers, there is no way to compare.	(125,853)	(73%)
	Sale	(851)	-	-	30-60 days	-	30-60 days	Same as the general customers'	164	-

2. Asset transaction: none

3. Financing: none

4. Asset lease:

Unit: NTD thousand

Name of holding company	Transaction type (outward lease or inward lease)	Underlying asset		Lease term	Nature of lease	Basis of rental rate	Means of collection (payment)	Comparison with general rent conditions	Rental sum this year	Amount collected/paid this year	Other covenants
		Name	Location								
CHINA MAN-MADE FIBER CORPORATION	Lessee	Land in Kaohsiung	No. 8, Jingjian Rd., Dashe Dist., Kaohsiung City 815	2020.12.01~2021.11.30 2021.12.01~2022.11.30	Operating lease	To negotiate and determine according to the rental market in neighboring areas	With rent payable on a monthly basis	Not distinctive	\$ 286	Having been paid up	N/A
CHINA MAN-MADE FIBER CORPORATION	Lessee	Taipei offices	11F, No. 50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	2021.01.01~2022.12.31	Operating lease	To negotiate and determine according to the rental market in neighboring areas	With rent payable on a monthly basis	Not distinctive	\$2,902 Note	Having been paid up	N/A

Note: Such amounts were the nominal principal amounts payable according to the terms in contracts in

the year 2021 The present lease case complies with the IFRS 16 specification requirements. The right-of-use assets and lease liabilities have been recognized in the financial statements on the date, while the leasehold initiated and the depreciation expenses and repayment of lease liabilities have been recognized on a monthly basis and are no longer entered as expenditure as rental expenses.

5. Facts of other significant transactions

In an attempt to assure the smooth acquisition of major raw materials, Pan Asia Chemical Corporation signed an ethylene oxide purchase contract with China Man-Made Fiber Corporation Co., Ltd. The key contents of the contract are as enumerated below:

- (1) Duration: From July 1, 2020 to June 30, 2025
- (2) The quantity provided: The supply has been conducted exactly according to the predetermined demand quantity proposed by Pan Asia Chemical Corporation but China Man-Made Fiber Corporation Co., Ltd. is, nevertheless, entitled to adjust the predetermined supply quantity as the actual production situation may justify.
- (3) Purchase price: To be duly settled exactly according to the pricing mode as agreed by and between both parties.

(III) Guarantees/endorsements between subsidiaries and Parent Name of enterprise: None.

- II. Status on the private placement of securities during the most recent fiscal year and up to the date of publication of the annual report, and the use of capital raised through the private placement and the implementation progress of the plan: None.
- III. The disposal of the Company's shares by its subsidiaries during the latest financial year, up to the publication date of this annual report: None.
- IV. Other supplementary information: None

Nine. Occurrences of events defined under Article 36-3-2 of the Securities and Exchange Act in the latest year up till the publishing date of this annual report that significantly impacted shareholders' equity or security prices: None.

Pan Asia Chemical Corporation

**Chairman:
Kuei-Hsien Wang**