# Pan Asia Chemical Corporation

## Financial Statements for the Years Ended December 31, 2021 and 2020 and Independent Auditors' Report

---

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## 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:

<u>Recognition of sales revenues of specific targets.</u>

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 matter 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 Amount | % | December 31, 2020 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 | 1,057,203 | 12 | 1,065,622 | 12 |
| | 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 | 7,732,503 | 88 | 7,590,658 | 88 |
| 1XXX | Total assets | $ 8,789,706 | 100 | $ 8,656,280 | 100 |
| **Code** | **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 | 2,245,910 | 26 | 2,165,031 | 25 |
| | 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 | 718,057 | 8 | 857,505 | 10 |
| 2XXX | Total liabilities | 2,963,967 | 34 | 3,022,536 | 35 |
| | 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 | 5,825,739 | 66 | 5,633,744 | 65 |
| | Total Liabilities and Equity | $ 8,789,706 | 100 | $ 8,656,280 | 100 |

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 Amount | 2021 % | 2020 Amount | 2020 % |
|---|---|---|---|---|---|
| 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) | 1,533,986 | 89 | 1,312,156 | 90 |
| 5900 | Gross profit | 193,591 | 11 | 145,525 | 10 |
| | 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) | ( 240 ) | - | 259 | - |
| 6000 | Total operating expenses | 123,445 | 7 | 103,679 | 7 |
| 6900 | Net Operating Income | 70,146 | 4 | 41,846 | 3 |
| | 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 | ( 10,679 ) | ( 1 ) | ( 19,861 ) | ( 1 ) |
| 7000 | Total non-operating revenues and expenses | 277,272 | 16 | 214,456 | 15 |
| 7900 | Income before tax from continuing operations | 347,418 | 20 | 256,302 | 18 |
| 7950 | Income tax expenses (Note 4 and 24) | ( 4,440 ) | - | ( 8,371 ) | ( 1 ) |
| 8200 | Net income | 342,978 | 20 | 247,931 | 17 |
| | Other comprehensive income (Note 4, 13, 20and 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 | ( 12,186 ) | ( 1 ) | 13,320 | 1 |
| 8300 | Current period other comprehensive income (post-tax profit or loss) | ( 100,196 ) | ( 6 ) | 876,339 | 60 |
| 8500 | Current period other comprehensive income (Gross) | $ 242,782 | 14 | $ 1,124,270 | 77 |
| | Earnings per share (Note 25) | | | | |
| | Business units in continuing operation | | | | |
| 9710 | Basic | $ 1.05 | | $ 0.76 | |
| 9810 | Diluted | $ 1.04 | | $ 0.76 | |

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

| | | | | | | | Other equity | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Capital stock | | Retained earnings | | | | | |
| Code | | 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 | Total equity |
| 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 | 158,641 | 113,357 |
| | 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 | ( 105,920 ) | ( 34,295 ) |
| | 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 | ( 169,059 ) | 117,133 |
| EEEE | Amounts of increase (decrease) in cash & cash equivalents | ( 116,338 ) | 196,195 |
| E00100 | Balance of cash and cash equivalents, beginning of period | 632,489 | 436,294 |
| E00200 | Balance of cash and cash equivalent, end of period | $ 516,151 | $ 632,489 |

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

| The new/amended/revised standards or interpretation | Effective Date per IASB |
|---|---|
| "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 sand 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 contacts 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 |
| | $ 516,151 | $ 632,489 |

7. Financial assets at fair value through profit and loss

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Financial assets – current | | |
| 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

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

(1) Equity investment

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Non-Current | | |
| 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 |
| | $ 2,996,871 | $ 3,096,492 |

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Non-current | | |
| Domestic investment | | |
| Bank debentures of Taichung Commercial Bank | $ 200,000 | $ 204,052 |

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.

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Total Book Value | $ 200,000 | $ 200,000 |
| Loss allowance | - | - |
| Cost after amortization | 200,000 | 200,000 |
| Fair value adjustment | - | 4,052 |
| | $ 200,000 | $ 204,052 |

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:

| Credit rating | Definition | Basis for recognizing expected credit losses | Expected credit loss rate | Total book value of December 31, 2021 |
|---|---|---|---|---|
| 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% | $ 200,000 |

| Credit rating | Definition | Basis for recognizing expected credit losses | Expected credit loss rate | Total book value of December 31, 2020 |
|---|---|---|---|---|
| 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% | $ 200,000 |

10. Notes receivable, accounts receivable and other receivables

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

(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) | ( 1,950 ) | ( 62 ) | ( 2,012 ) |
| Cost after amortization | $ 188,712 | $ 5,974 | $ 194,686 |

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) | ( 2,104 ) | ( 148 ) | ( 2,252 ) |
| Cost after amortization | $ 202,687 | $ 14,259 | $ 216,946 |

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 | ( 240 ) | - |
| Balance – ending | $ 2,012 | $ 2,252 |

11. Inventory

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Raw materials | $ 48,925 | $ 18,865 |
| Supplies | 5,483 | 4,031 |
| Finished goods | 163,191 | 92,944 |
| | $ 217,599 | $ 115,840 |

(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 | 12 | - |
| | $ 14,637 | $ 14,999 |

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 | 10,721 | 14,037 |
| | $ 3,565,269 | $ 3,260,307 |

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 Mélasse 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.

Mélasse 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

| | Proprietary land | House and Building | Machine and Equipment | Transportation and communication equipment | Other equipment | Construction in process and prepayment for machinery purchase | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| 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 | 242,530 | 270,099 | 1,278,851 | 13,521 | 241,923 | 5,080 | 2,052,004 |
| 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 | $ 242,530 | $ 168,607 | $ 451,970 | $ 1,396 | $ 57,978 | $ 5,080 | $ 927,561 |
| | | | | | | | |
| 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 | 242,530 | 269,098 | 1,276,746 | 12,823 | 240,185 | - | 2,041,382 |
| 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 | $ 242,530 | $ 174,993 | $ 503,823 | $ 1,188 | $ 61,944 | $ - | $ 984,478 |

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 |
| | $ 64 | $ 332 |

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 |
| | $ 2,825 | $ 8,519 |

| | 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 |
| | $ 5,694 | $ 5,955 |

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 |
|---|---|---|
| Unsecured loans | | |
| 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

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

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 |
| | $ 57,408 | $ 48,898 |

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 | $ 22,161 | $ 20,726 |

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) | 463 | ( 356 ) | 107 |
| Recognized in the profit or loss | 854 | ( 356 ) | 498 |
| 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 | 990 | - | 990 |
| Recognized in the other comprehensive profit of loss | 3,470 | ( 1,150 ) | 2,320 |
| Employer appropriation | - | ( 1,233 ) | ( 1,233 ) |
| Planned asset payment | ( 3,788 ) | 3,788 | - |
| December 31, 2020 | 58,431 | ( 37,705 ) | 20,726 |
| Service cost | | | |
| Current service cost | 296 | - | 296 |
| Interest expenses (revenues) | 204 | ( 134 ) | 70 |
| Recognized in the profit or loss | 500 | ( 134 ) | 366 |
| 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 | 1,632 | - | 1,632 |
| Recognized in the other comprehensive profit of loss | 2,840 | ( 546 ) | 2,294 |
| Employer appropriation | - | ( 1,225 ) | ( 1,225 ) |
| Planned asset payment | ( 2,331 ) | 2,331 | - |
| December 31, 2021 | $ 59,440 | ( $ 37,279 ) | $ 22,161 |

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

| | 2021 | 2020 |
|---|---|---|
| Operating cost | $ 271 | $ 378 |
| Operating expenses | 95 | 120 |
| | $ 366 | $ 498 |

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:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| 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:

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

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.

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Amount projected for appropriation in 1 year | $ 1,230 | $ 1,240 |
| Average maturity of determined benefit obligation | 8 years | 9 years |

21. Equity

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| 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 | 546,142 | 649,383 |
| | $ 5,825,739 | $ 5,633,744 |

(1) Capital stock

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

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 |
| | $ 872,725 | $ 872,725 |

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:

| | 2020 | 2019 |
|---|---|---|
| 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:

| | 2021 |
|---|---|
| Legal reserve | $ 34,059 |
| Cash dividends | $ 49,204 |
| Stock dividends | $ 246,020 |
| Cash dividends per share (NT$) | $ 0.15 |
| Stock dividend per share (NT$) | $ 0.75 |

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

| | 2021 | 2020 |
|---|---|---|
| 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

| | 2021 | 2020 |
|---|---|---|
| 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 | $ 550,872 | $ 656,122 |

22. Revenues

| | 2021 | 2020 |
|---|---|---|
| Sales revenue | $ 1,661,104 | $ 1,400,481 |
| Labor revenue | 66,473 | 57,200 |
| | $ 1,727,577 | $ 1,457,681 |

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 | 1,195 | 1,172 |
| Total | $ 4,738 | $ 16,165 |

(2) Financial costs

| | 2021 | 2020 |
|---|---|---|
| Interest from bank borrowings | $ 31,736 | $ 36,010 |
| Interest on lease liabilities | 78 | 168 |
| Total | $ 31,814 | $ 36,178 |

(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 | 66 | 135 |
| Total | $ 74,100 | $ 80,892 |
| Consolidation of depreciation expenses based on functions | | |
| Operating cost | $ 68,295 | $ 74,796 |
| Operating expenses | 5,739 | 5,961 |
| | $ 74,034 | $ 80,757 |
| Consolidation of amortization expenses based on functions | | |
| Operating cost | $ 55 | $ 55 |
| Operating expenses | 11 | 80 |
| | $ 66 | $ 135 |

(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 | 4,066 | 3,976 |
| Total employee benefits expenses | $ 103,327 | $ 99,629 |
| Consolidation based on functions | | |
| Operating cost | $ 75,414 | $ 74,232 |
| Operating expenses | 27,913 | 25,397 |
| | $ 103,327 | $ 99,629 |

(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

| | 2021 | 2020 |
|---|---|---|
| Remuneration to employees | $ 3,520 | $ 2,597 |
| Remuneration to directors/supervisors | $ 1,056 | $ 779 |

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:

| | 2020 | 2019 |
|---|---|---|
| | Cash | Cash |
| Remuneration to employees | $ 2,597 | $ 3,018 |
| Remuneration to directors/supervisors | $ 779 | $ 905 |

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

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

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

| | 2021 | 2020 |
|---|---|---|
| Income before tax from continuing operations | $ 347,418 | $ 256,302 |
| 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 |

| | 2021 | 2020 |
|---|---|---|
| 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 ) | 2,305 |
| Income tax expense recognized in the profit or loss | $ 4,440 | $ 8,371 |

(2) Income tax benefits recognized in the other comprehensive profit or loss

| | 2021 | 2020 |
|---|---|---|
| Deferred tax | | |
| Accrued in current year | | |
| Reevaluation of determined benefit plan | ( $ 459 ) | ( $ 464 ) |

(3) Current income tax asset and liability

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current income tax asset | | |
| Tax refund receivable | $ - | $ - |
| Current Tax Liability | | |
| Payable income tax | $ 5,438 | $ 39 |

(4) Deferred income tax assets and liabilities

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

2021

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

2020

| Deferred income tax assets | Balance, beginning of year | Recognized in the profit or loss | Recognized in the other comprehensive profit of loss | Balance, end of year |
|---|---|---|---|---|
| Temporary difference | | | | |
| Defined benefit pension plans | $ 3,828 | ( $ 147 ) | $ 464 | $ 4,145 |
| Loss credit | 3,346 | ( 2,302 ) | - | 1,044 |
| Others | 6,197 | ( 5,284 ) | - | 913 |
| | $13,371 | ( $ 7,733 ) | $ 464 | $ 6,102 |

| Deferred tax liabilities | | | | |
|---|---|---|---|---|
| Temporary difference | | | | |
| Allowance for land increment value tax | $40,896 | $ - | $ - | $40,896 |

(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

Unit: NTD per share

| | 2021 | 2020 |
|---|---|---|
| Basic earnings per share | $ 1.05 | $ 0.76 |
| Diluted earnings per share | $ 1.04 | $ 0.76 |

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:

Unit: NTD per share

| | Cum-dividend | Ex-dividend |
|---|---|---|
| Basic earnings per share | $ 0.82 | $ 0.76 |
| Diluted earnings per share | $ 0.82 | $ 0.76 |

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 | $ 342,978 | $ 247,931 |

Quantity

Unit: Thousand Shares

| | 2021 | 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 | 324 | 261 |
| Weighted average common stock shares used to calculate diluted earnings per share | 328,350 | 328,287 |

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 | $ 851 | $ 3,424 |

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 | $ 755,002 | $ 601,055 |

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 |
| | $ 4,366 | $ 9,375 |

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 Mélasse 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 |
| | $ 613 | $ 1,012 |

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

(6) Accounts payable from related parties

Accounts 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 | 310 | 29 |
| | $ 2,143 | $ 1,866 |

The aforementioned amounts represent the fees for services rendered to China Man-Made Fiber Corporation and other business expenses received from Mélasse 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 | 124 | 50 |
| | $ 35,364 | $ 31,451 |

(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 | $ 2,883 | $ 5,727 |

| Name | 2021 | 2020 |
|---|---|---|
| Interest expenses | | |
| CHINA MAN-MADE FIBER CORPORATION | $ 58 | $ 97 |
| Rent expense | | |
| CHINA MAN-MADE FIBER CORPORATION | $ 286 | $ 286 |

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

| | Prices of acquirements | |
|---|---|---|
| Type and Name of related party | 2021 | 2020 |
| China Man-Made Fiber Corporation | $ 960 | $ - |

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 | 713 | 561 |
| | $ 10,066 | $ 8,518 |

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 | 103,833 | 105,793 |
| | $ 1,155,934 | $ 1,240,120 |

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 |
|---|---|---|---|---|
| Financial assets at fair value through profit and loss | | | | |
| Beneficiary certificates of funds | $ 76,538 | $ - | $ - | $ 76,538 |
| Financial assets at fair value through other comprehensive profit or loss | | | | |
| 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 | $2,970,311 | $ 200,000 | $ 103,098 | $3,273,409 |

December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value through profit and loss | | | | |
| Beneficiary certificates of funds | $ 62,072 | $ - | $ - | $ 62,072 |
| Financial assets at fair value through other comprehensive profit or loss | | | | |
| 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 | $3,089,452 | $ 204,052 | $ 69,112 | $3,362,616 |

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

| | Financial assets at fair value through other comprehensive profit or loss | | |
|---|---|---|---|
| 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 | $ 103,098 | $ - | $ 103,098 |

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 | $ 69,112 | $ - | $ 69,112 |

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) | 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.<br>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. |

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 |
|---|---|---|
| Financial Assets | | |
| 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 |

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 |
|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | |
| 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 |
| | $748,574 | $554,861 | $127,370 | $780,451 | $655,000 | $2,866,256 |

December 31, 2020

| | 0–30 days | 31–90 days | 91–180 days | 181 days to 1 year | Over 1 year | Total |
|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | |
| 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 |
| | $700,313 | $473,548 | $128,945 | $841,763 | $795,902 | $2,940,471 |

(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 | 460,541 | 332,753 |
| | $ 2,495,000 | $ 2,375,000 |
| Secured bank overdraft line | | |
| The loan quota used | $ 627,000 | $ 745,000 |
| The loan quota not yet used | 10,000 | 28,000 |
| | $ 637,000 | $ 773,000 |

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 assets | Foreign Currency | Foreign Exchange Rate | NTD |
|---|---|---|---|
| Monetary Items | | | |
| USD | $ 10,467 | 27.68 | $ 289,717 |

December 31, 2020

| Foreign currency assets | Foreign Currency | Foreign Exchange Rate | NTD |
|---|---|---|---|
| Monetary Items | | | |
| 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 | Beneficiary certificates of funds | | | | | | | |
| | Reliance Taiwan Main Stream Small & Medium Cap Fund | Affiliated enterprises | Financial assets at fair value through profit or loss- current | 743 | $ 29,251 | - | $ 29,251 | |
| | TAROBO Robts Quant Chinese Fd. | 〃 | 〃 | 1,319 | 24,146 | - | 24,146 | |
| | The RSIT First Digital Fund | 〃 | 〃 | 420 | 23,141 | - | 23,141 | |
| | | | | | $ 76,538 | | $ 76,538 | |
| | Shares traded on the Taiwan Stock Exchange or OTC exchange | | | | | | | |
| | CHINA MAN-MADE FIBER CORPORATION | 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 | 77,954 thousand shares pledged |
| | Taiwan Tea Corporation | N/A | 〃 | 11,800 | 239,540 | 1 | 239,540 | |
| | Non listed (OTC) domestic stock | | | | | | | |
| | TWSE | N/A | 〃 | 309 | 28,098 | - | 28,098 | |
| | Chung Chien Investment Co., Ltd. | A company controlled by CHINA MAN-MADE FIBER CORPORATION | 〃 | 12,000 | 75,000 | 18 | 75,000 | |
| | Chung Shing Textile Co., Ltd. | N/A | 〃 | 120 | - | - | - | |
| | Domestic bond | | | | | | | |
| | Taichung Commercial Bank financial bonds | Affiliated enterprises | 〃 | 20 | 200,000 | - | 200,000 | |
| | | | | | $ 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 Securities Investment Trust Co., Ltd. | Taipei City | Securities investment trust business | 120,000 | 120,000 | 12,000 | 38% | 165,124 | ( 1,649 ) | ( 592 ) | |
| Taichung Commercial Bank Lease Enterprise | TCCBL Co., Ltd. | British Virgin Islands | Financing, leasing and investments. | 893,373 | 893,373 | 30,000 | 100% | 826,294 | 41,185 | 41,185 | |
| Taichung Commercial Bank Consolidated Securities Co., Ltd. | Taichung Bank Venture Capital Co., Ltd. | Taipei City | Venture Investment | 210,000 | 210,000 | 21,000 | 100% | 208,594 | ( 6,138 ) | ( 6,138 ) | |

(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 | $ 1,727,577 | $ 1,457,681 | $ 347,418 | $ 256,302 |

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 | $ 8,789,706 | $ 8,656,280 |

(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.

§Table of Contents of Statements of Significant Account Titles§

Pan Asia Chemical Corporation

Statement of Cash and Cash Equivalents

December 31, 2021

Statement 1

Unit: NTD thousand

| Items | Summary | Amount |
|---|---|---|
| Petty cash | | $ 140 |
| Bank deposits | | |
| Demand deposits | Among them, foreign currency deposits are US$7,364 thousand × 27.68 | 277,862 |
| Check deposits | | 238,149 |
| | | $ 516,151 |

Pan Asia Chemical Corporation

Statement of Financial Assets at Fair Value Through Profit or Loss - Current

December 31, 2021

Statement 2

Unit: In thousands of NTD/thousands of shares/thousands of units, unless stated otherwise

| | | | | | | Fair value | |
|---|---|---|---|---|---|---|---|
| Financial product | Summary | Number of shares or units | Face value | Total amount | Cost of acquisition | Unit Price | Total amount |
| Financial assets at fair value through profit and loss | | | | | | | |
| Beneficiary certificates of funds | | | | | | | |
| Reliance Taiwan Main Stream Small & Medium Cap Fund | | 743 | 10 | $ 7,430 | $ 16,000 | 39.36 | $ 29,251 |
| TAROBO Robts Quant Chinese Fd. | | 1,319 | 10 | 13,190 | 15,000 | 18.30 | 24,146 |
| The RSIT First Digital Fund | | 420 | 10 | 4,200 | 15,000 | 55.06 | 23,141 |
| | | 2,482 | | $ 24,820 | $ 46,000 | | $ 76,538 |

Pan Asia Chemical Corporation

Statement of Notes Receivable and Accounts Receivable

December 31, 2021

Statement 3 Unit: NTD thousand

| Items | Summary | Amount |
| --- | --- | --- |
| Notes receivable | | |
| Bun Hong Trading Co., Ltd. | Loan | $ 10,099 |
| Chin Yee Chemical Industries Co., Ltd. | 〃 | 3,385 |
| Dong-Fang Trading Co., Ltd. | 〃 | 1,570 |
| Others (Note) | 〃 | 3,151 |
| | | 18,205 |
| Accounts receivable | | |
| China National Offshore Oil Corporation | Loan | 51,304 |
| Daxin Materials Corp. | 〃 | 14,973 |
| Yuan Jen Enterprises Co., Ltd. | 〃 | 14,901 |
| Bun Hong Trading Co., Ltd. | 〃 | 10,159 |
| Others (Note) | 〃 | 87,156 |
| | | 178,493 |
| Less: Allowance for losses | | ( 2,012 ) |
| | | $ 194,686 |

Note: The balance of each client is less than 5% of the total amount.

Pan Asia Chemical Corporation

Statement of Inventories

December 31, 2021

Statement 4 | Unit: NTD thousand

| Items | Summary | Amount: Cost | Amount: Market Value |
|---|---|---|---|
| Raw materials | Market price: Net realizable value | $ 52,615 | $ 48,925 |
| Supplies | Market price: Net realizable value | 5,773 | 5,483 |
| Finished goods | Market price: Net realizable value | 178,473 | 163,191 |
| | | 236,861 | $ 217,599 |
| Less: Allowance for valuation loss | | ( 19,262 ) | |
| | | $ 217,599 | |

Pan Asia Chemical Corporation

Statement of Financial Assets at FVTOCI - Non-Current

January 1 to December 31, 2021

Statement 5

Unit: NTD thousand/thousand shares

| | Balance – beginning | | Increase in current period | | Decrease in current period | | Balance – ending | |
|---|---|---|---|---|---|---|---|---|
| Financial product | Quantity | Fair value (Note 5) | Quantity | Amount | Quantity | Amount | Quantity | Fair value |
| Shares traded on the Taiwan Stock Exchange or OTC exchange | | | | | | | | |
| CHINA MAN-MADE FIBER CORPORATION (Note 1) | 251,443 | $ 2,816,160 | 10,058 | $ - | - | $ 161,927 | 261,501 | $ 2,654,233 |
| Taiwan Tea Corporation (Note 2) | 11,800 | 211,220 | 50 | 29,215 | 50 | 895 | 11,800 | 239,540 |
| Domestic TWSE-/TPEx-listed bonds | | | | | | | | |
| Taichung Commercial Bank financial bonds (Note 3) | 20 | 204,052 | - | - | - | 4,052 | 20 | 200,000 |
| Non listed (OTC) domestic stock | | | | | | | | |
| Taiwan Stock Exchange Corporation (Note 4) | 275 | 22,792 | 34 | 5,306 | - | - | 309 | 28,098 |
| Chung Chien Investment Co., Ltd. (Note 5) | 12,000 | 46,320 | - | 28,680 | - | - | 12,000 | 75,000 |
| Chung Shing Textile Co., Ltd. | 120 | - | - | - | - | - | 120 | - |
| | | $ 3,300,544 | | $ 63,201 | | $ 166,874 | | $ 3,196,871 |

Note 1: The increase in this period is due to the stock dividend of 10,058,000 shares received. The decrease in this period is due to the unrealized loss of financial assets measured at fair value through other comprehensive income in the amount of NT$161,927 thousand.

Note 2: The increase in this period is due to the new investment of 50 thousand shares, the new investment cost of NT$836 thousand, and the unrealized gain of financial assets measured at fair value through other comprehensive income of NT$28,379 thousand. The decrease in this period is due to the disposal of 50 thousand shares. The unrealized gain of financial assets measured at fair value through other comprehensive income of NT$21 thousand was measured at fair value, amounting to NT$916 thousand as the market price, less the investment cost of NT$839 thousand, and the cumulative unrealized gain was reclassified to the retained earnings of NT$77 thousand before disposal.

Note 3: The decrease in this period is due to the unrealized loss of financial assets measured at fair value through other comprehensive income in the amount of NT$4,052 thousand.

Note 4: The increase in this period is due to the stock dividend of 34 thousand shares received and the unrealized gain of financial assets measured at fair value through other comprehensive income in the amount of NT$5,306 thousand.

Note 5: The increase in this period is due to the unrealized gain of financial assets measured at fair value through other comprehensive income in the amount of NT$28,680 thousand.

Pan Asia Chemical Corporation

Statement of Changes in Long-term Equity Investment Using the Equity Method

January 1 to December 31, 2021

Statement 6

Unit: NTD thousand/thousand shares

| Investee | Balance – beginning | | Increase in current period | | Decrease in current period | | Balance – ending | | | Market Value or |
|---|---|---|---|---|---|---|---|---|---|---|
| | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Shareholding % | Amount | Net worth of equity |
| Taichung Commercial Bank (Note 1) | 234,256 | $ 3,232,947 | 19,005 | $ 369,794 | - | $ 61,674 | 253,261 | 6 | $ 3,541,067 | $ 3,077,117 |
| Taichung Securities Investment Trust Co., Ltd. (Note 2) | 979 | 13,323 | - | 209 | - | 51 | 979 | 3 | 13,481 | 13,481 |
| Melasse (Note 3) | 1,450 | 14,037 | - | - | - | 3,316 | 1,450 | 50 | 10,721 | 10,721 |
| | | $ 3,260,307 | | $ 370,003 | | $ 65,041 | | | $ 3,565,269 | $ 3,101,319 |

Note 1: The increase in this period is due to the stock dividend of 10,541 thousand shares received, the participation in the cash capital increase of 8,464 thousand shares with the new investment cost of NT$94,369 thousand, the share of profit or loss of subsidiaries, associates, and joint ventures recognized using the equity method recognized under the equity method in the amount of NT$270,402 thousand, the share of other comprehensive income of subsidiaries, associates, and joint ventures recognized under the equity method in the amount of NT$3,014 thousand, and the exchange differences from the translation of financial statements of foreign operations of NT$2,009 thousand. The decrease in this period was due to the cash dividend of NT$ 56,221 thousand received from investees and the net adjustment to and reduction of NT$5,453 thousand in retained earnings due to a decrease in shareholding.

Note 2: The increase in this period is due to the share of other comprehensive income of subsidiaries, associates, and joint ventures recognized under the equity method of NT$209 thousand. The decrease in this period is due to the share of profit and loss of subsidiaries, associates, and joint ventures recognized under the equity method of NT$51 thousand.

Note 3: The decrease in this period was due to the share of profit or loss of subsidiaries, associates, and joint ventures recognized under the equity method of NT$3,316 thousand.

Pan Asia Chemical Corporation

Statement of Changes in Right-of-Use Assets

January 1 to December 31, 2021

Statement 7

Unit: NTD thousand

| Name | Balance – beginning | Increase in this period | Decrease in current period | Balance – ending | Remark |
|---|---|---|---|---|---|
| Buildings | $ 11,297 | $ - | $ - | $ 11,297 | |
| Transportation Equipment | 6,262 | - | ( 6,262 ) | - | |
| | $ 17,559 | $ - | ( $ 6,262 ) | $ 11,297 | |

Pan Asia Chemical Corporation

Statement of Changes in Accumulated Depreciation of Right-of-Use Assets

January 1 to December 31, 2021

Statement 8

Unit: NTD thousand

| Name | Balance – beginning | Increase in this period | Decrease in this period | Balance – ending | Remark |
|---|---|---|---|---|---|
| Buildings | $ 5,648 | $ 2,824 | $ - | $ 8,472 | |
| Transportation Equipment | 3,392 | 2,870 | ( 6,262 ) | - | |
| | $ 9,040 | $ 5,694 | ( $ 6,262 ) | $ 8,472 | |

Pan Asia Chemical Corporation

Statement of Short-term Borrowings

December 31, 2021

Statement 9

Unit: NTD thousand

| Types of loans and creditors | Description | Balance – ending | Contract period | Interest Rate Collars % | Financing amount | Mortgage or guarantee |
|---|---|---|---|---|---|---|
| Credit loan | | | | | | |
| Taiwan Cooperative Bank | | $ 300,000 | 110.12.06~111.11.08 | 1.20% | $ 350,000 | Joint guarantor: Chairman Kuei-Hsien Wang |
| Land Bank of Taiwan | | 150,000 | 110.10.15~111.10.15 | 1.18% | 150,000 | 〃 |
| Bank of Kaohsiung Co., Ltd. | | 100,000 | 110.12.10~111.12.10 | 1.15% | 100,000 | 〃 |
| Chang Hwa Bank | | 100,000 | 110.07.01~111.06.30 | 1.20% | 100,000 | 〃 |
| EnTie Commercial Bank | | 100,000 | 110.03.31~111.03.31 | 1.15% | 100,000 | 〃 |
| Taishin International Bank | | 80,000 | 110.11.30~111.11.30 | 1.14% | 80,000 | 〃 |
| Bank Of Taiwan | | 80,000 | 110.04.06~111.04.06 | 1.18% | 80,000 | 〃 |
| First Commercial Bank | | 100,000 | 110.07.13~111.07.13 | 1.15% | 100,000 | 〃 |
| | | $ 1,010,000 | | | $ 1,060,000 | |

Pan Asia Chemical Corporation

Statement of Accounts Payable

December 31, 2021

Statement 10 | Unit: NTD thousand

| Customer Name | Summary | Amount |
|---|---|---|
| Accounts payable | | |
| LUNG HSING INDUSTRIES CO., LTD. | Loan | $ 17,417 |
| UNION CHEMICAL IND. CO., LTD. | | 7,274 |
| NAN YA PLASTICS CORPORATION | 〃 | 5,189 |
| Jiuh Yi Chemical Industrial Co., Ltd. | 〃 | 3,919 |
| CHANG CHIANG CHEMICAL CO., LTD. | 〃 | 2,375 |
| Bun Hong Trading Co., Ltd. | 〃 | 2,356 |
| Others (Note) | 〃 | 7,563 |
| | | 46,093 |
| Accounts payable from related parties | | |
| China Man-Made Fiber Corporation | 〃 | 125,853 |
| | | $ 171,946 |

Note: The balance of each client is less than 5% of the total amount.

Pan Asia Chemical Corporation
Statement of Long-term Borrowings
December 31, 2021

Statement 11

Unit: In NTD thousands, unless specified otherwise

| Bank | Summary | Contract period | Annual rate of interest (%) | Amount | | | Mortgage or guarantee |
|---|---|---|---|---|---|---|---|
| | | | | Due within 1 year | Due after more than 1 year | Total | |
| Taiwan Cooperative Bank | Mid-term secured loans (Note 18) | 2019.08.23–2024.08.23 | 1.35 | $ 24,000 | $ 388,000 | $ 412,000 | Land, buildings, and machinery in Kaohsiung |
| Union Bank of Taiwan Co., Ltd. | Mid-term secured loans (Note 18) | 2019.04.12–2024.04.12 | 1.39 | - | 75,000 | 75,000 | 48,954 thousand shares of China Man-Made Fiber Corporation |
| JihSun International Commercial Bank Co., Ltd. | Mid-term secured loans (Note 18) | 2019.10.09–2023.12.03 | 1.28 | - | 140,000 | 140,000 | 29,000 thousand shares of China Man-Made Fiber Corporation |
| Taiwan Business Bank Co., Ltd. | Mid-term unsecured loans (Note 18) | 2021.11.09–2022.11.09 | 1.25 | 475,000 | - | 475,000 | Joint guarantor: Chairman Kuei-Hsien Wang |
| Bank of Panshin | Mid-term unsecured loans (Note 18) | 2020.05.25–2023.05.25 | 1.30 | 20,000 | 50,000 | 70,000 | Joint guarantor: Chairman Kuei-Hsien Wang |
| | | | | $ 519,000 | $ 653,000 | $ 1,172,000 | |

Pan Asia Chemical Corporation

Statement of Lease Liabilities

December 31, 2021

Statement 12 Unit: NTD thousand

| Items | Summary | Lease term | Discounted annual rate of interest | Balance – ending | Remark |
|---|---|---|---|---|---|
| Buildings | | 2 years | 1.385% | $ 2,883 | |
| Transportation Equipment | | 2 years | 1.650% | - | |
| Total | | | | $ 2,883 | |

Pan Asia Chemical Corporation

Statement of Operating Revenue

January 1 to December 31, 2021

Statement 13 | Unit: Tons/NTD thousand

| Items | Quantity | Amount |
|---|---|---|
| NP series | 10,132 | $ 430,065 |
| NAL series | 3,645 | 194,980 |
| DEG series | 5,148 | 200,198 |
| Others (Note) | 17,140 | 902,334 |
| | | $ 1,727,577 |

Note: The balance of each type is less than 5% of the total amount.

Pan Asia Chemical Corporation

Statement of Operating Costs

January 1 to December 31, 2021

Statement 14 | Unit: NTD thousand

| Items | Amount |
|---|---|
| Direct raw materials | |
| Raw materials in the beginning of the period | $ 21,087 |
| Add: Purchases | 1,228,041 |
| Less: Sales | ( 604 ) |
| Requested by R&D | ( 1 ) |
| Requested by departments | ( 4,700 ) |
| Raw materials in the end of period | ( 52,615 ) |
| Direct raw materials consumed | 1,191,208 |
| Indirect raw materials | |
| Supplies in the beginning of the period | 4,469 |
| Add: Purchases | 114,319 |
| Less: Sales | ( 65 ) |
| Requested by R&D | ( 851 ) |
| Requested by departments | ( 112,099 ) |
| Raw materials in the end of the period | ( 5,773 ) |
| Indirect raw materials consumed | - |
| Direct labor | 11,381 |
| Overhead | 261,296 |
| Plus: Losses on work stoppages | 71,678 |
| Cost of finished goods | 1,535,563 |
| Add: Finished goods and contracted processed goods in the beginning of the period | 106,177 |
| Purchased finished goods | 61,178 |
| Less: Finished goods and contracted processed goods in the end of the period | ( 178,473 ) |
| Requested by departments | ( 12 ) |
| Other adjustments | 999 |
| Cost of sales of finished goods | 1,525,432 |
| Add: Cost of raw materials sold | 669 |
| Add: Cost of sales of inventories | 171 |
| Add: Inventory valuation losses | 3,369 |
| Add: Cost of scrapping of inventories | 4,086 |
| Add: Adjustment to cost of sales | 259 |
| | $ 1,533,986 |

Pan Asia Chemical Corporation

Statement of Overhead

January 1 to December 31, 2021

Statement 15 Unit: NTD thousand

| Items | Summary | Amount |
|---|---|---|
| Cost of packaging materials | | $ 94,362 |
| Depreciation | | 68,295 |
| Employee benefits expenses | | 59,276 |
| Utilities | | 24,604 |
| Others (Note) | | 14,759 |
| | | $ 261,296 |

Note: The balance of each item is less than 5% of the total amount.

Pan Asia Chemical Corporation

Statement of Operating Expenses

January 1 to December 31, 2021

Statement 16 | Unit: NTD thousand

| Name | Marketing expenses | Administration expenses | Expected credit Gain reversed | Total |
|---|---|---|---|---|
| Employee benefits expenses | $ 5,410 | $ 22,503 | $ - | $ 27,913 |
| Export expense | 53,749 | - | - | 53,749 |
| Rent | - | 11,457 | - | 11,457 |
| Freight | 9,815 | 1 | - | 9,816 |
| Miscellaneous expenses (Note) | 1,975 | 18,775 | ( 240 ) | 20,510 |
| | $ 70,949 | $ 52,736 | ( $ 240 ) | $ 123,445 |

Note: The balance of each item less than 5% of the total amount is listed.

Pan Asia Chemical Corporation

Statement of Employee Benefits, Depreciation, and Amortization Expenses of the Year by Function

January 1 to December 31, 2021 and 2020

Statement 17 | Unit: NTD thousand

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expenses | | | | | | |
| Salary & wage | $ 63,176 | $ 21,864 | $ 85,040 | $ 62,041 | $ 19,935 | $ 81,976 |
| Labor insurance and national health insurance | 6,557 | 1,437 | 7,994 | 6,445 | 1,396 | 7,841 |
| Remuneration to Directors | - | 2,376 | 2,376 | - | 1,889 | 1,889 |
| Pension expenses | 3,033 | 818 | 3,851 | 3,112 | 835 | 3,947 |
| Other employee benefits expenses | 2,648 | 1,418 | 4,066 | 2,634 | 1,342 | 3,976 |
| | $ 75,414 | $ 27,913 | $ 103,327 | $ 74,232 | $ 25,397 | $ 99,629 |
| Depreciation expenses | $ 68,295 | $ 5,739 | $ 74,034 | $ 74,796 | $ 5,961 | $ 80,757 |
| Amortization expenses | $ 55 | $ 11 | $ 66 | $ 55 | $ 80 | $ 135 |

Note:

1. The number of employees for 2021 and 2020 was 117 and 113, respectively, of which the number of directors who were not concurrently employees was 6 and 6, respectively.
2. Companies whose stocks have been listed on TWSE or TPEx shall disclose the following additional information:
   (1) The average employee benefit expense for 2021 was NT$909 thousand. The average employee benefit expense for 2020 was NT$913 thousand.
   (2) The average employee salary for 2021 was NT$766 thousand. The average employee salary for 2020 was NT$766 thousand.
   (3) The average adjustment to employee salary is %.
   (4) The Company does not have supervisors in place.
   (5) The Company's remuneration policy (including directors, managers, and employees) is as follows:
      A. The remunerations for directors are in accordance with provisions in Article 16 and Article 19 of the company charter.
         i. The board of directors shall authorize remunerations for directors based on their level of participation in company operations and value contributed. Remunerations are set in reference to the standard of payment adopted by companies in the same trade.

ii. If the company has made profits during the year, remunerations for directors not exceeding 0.3% shall be granted upon resolution by the board of directors and shall be resolved at the shareholders' meeting

B. Remunerations for managers and employees are conducted in accordance with the company's Charter Article 19, the Company Remuneration Committee Organizational Rules and related company regulations (including the Remunerations Management Guidelines, Assessment Guidelines, End-of-Year Bonus Distribution Guidelines, etc.)

i. Remunerations for managers are set by the company's Remuneration Committee and are periodically assessed. In reference to the usual payment standard of the same industry, considerations are also given to personal performance, corporate operation performance, and the reasonability of association with future risks, which shall be submitted to the board of directors for resolution.

ii. Renumeration for employees are conducted in accordance with the company's regulations. In addition, considerations are given to personal work performance, and degree of corporate operation contribution. The reasonability of remunerations are periodically assessed.

iii. If the company has made profits during the year, 1%–5% will be allocated as remunerations for employees. The distribution ratio and distribution in shares or cash shall be resolved by the board of directors and shall be submitted to the shareholders' meeting for resolution.