

**Taiwan Hopax Chemicals Mfg. Co., Ltd.
and Subsidiaries**

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

DECLARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of affiliates of Taiwan Hopax Chemicals Mfg. Co., Ltd. for the year ended December 31, 2021 under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Taiwan Hopax Chemicals Mfg. Co., Ltd. and its subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Taiwan Hopax Chemicals Mfg. Co., Ltd.

By

Tsung-Tien Kuo
Chairman

March 22, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Hopax Chemicals Mfg. Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Hopax Chemicals Mfg. Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the consolidated financial statements for the year ended December 31, 2021 is as follows:

Occurrence of revenue

Gross profit margin of specific departments of the Group was relatively high, and under generally accepted auditing standards, revenue has a presumed risk of fraud. Therefore, we considered the occurrence of revenue as a key audit matter.

In response to the specific matter described above, we have carried out audit procedures, including:

1. We understood and tested internal controls related to the authenticity of recognized revenue.
2. We conducted a sampling inspection of operating revenue details including finished product shipping orders, customer name and amount on invoices, and other finished product shipping documentation, such as customs export declaration.

Other Matter

We have also audited the parent company only financial statements of Taiwan Hopax Chemicals Mfg. Co., Ltd. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chia-Ling Chiang and Kai-Ning Hsu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2022

Notice to Readers

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

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

Taiwan Hopax Chemicals Manufacturing Co., Ltd. and Subsidiaries

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 376,207	6	\$ 485,155	9
Financial assets at FVTPL - current (Notes 4, 7 and 28)	2,212	-	608	-
Financial assets at amortized cost - current (Notes 4, 8 and 30)	143,011	2	71,791	1
Notes receivable (Notes 4, 5, 10, 23 and 30)	282,371	5	294,420	5
Accounts receivable, net (Notes 4, 5, 10 and 23)	1,041,944	17	729,848	13
Other receivables (Note 10)	19,883	-	14,264	-
Current tax assets (Notes 4 and 25)	-	-	7,609	-
Inventories (Notes 4, 5 and 11)	1,263,905	20	998,451	17
Prepayments	54,563	1	48,151	1
Other current assets	<u>28,816</u>	<u>-</u>	<u>30,165</u>	<u>1</u>
Total current assets	<u>3,212,912</u>	<u>51</u>	<u>2,680,462</u>	<u>47</u>
NONCURRENT ASSETS				
Financial assets at FVTOCI - noncurrent (Notes 4, 9 and 28)	68,800	1	76,053	1
Property, plant and equipment (Notes 4, 13, 30 and 31)	2,581,881	41	2,595,514	45
Right-of-use assets (Notes 4 and 14)	107,782	2	112,407	2
Investment properties (Notes 4 and 15)	8,975	-	9,284	-
Deferred tax assets (Notes 4 and 25)	164,197	3	158,841	3
Prepayments for equipment	77,458	1	83,690	1
Refundable deposits	4,045	-	4,034	-
Other noncurrent assets	<u>28,662</u>	<u>1</u>	<u>41,930</u>	<u>1</u>
Total noncurrent assets	<u>3,041,800</u>	<u>49</u>	<u>3,081,753</u>	<u>53</u>
TOTAL	<u>\$ 6,254,712</u>	<u>100</u>	<u>\$ 5,762,215</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 636,663	10	\$ 913,334	16
Short-term bills payable (Note 16)	39,978	1	134,930	2
Financial liabilities at FVTPL- current (Notes 4, 7 and 28)	183	-	-	-
Contract liabilities (Notes 4 and 23)	59,424	1	48,994	1
Notes payable (Note 18)	211,671	3	139,758	2
Accounts payable (Note 18)	362,692	6	290,718	5
Other payables (Note 19)	353,353	6	314,160	6
Current tax liabilities (Notes 4 and 25)	75,531	1	52,228	1
Lease liabilities - current (Notes 4 and 14)	2,020	-	3,191	-
Current portion of long-term borrowings (Notes 16 and 30)	151,015	3	278,228	5
Other current liabilities	<u>11,141</u>	<u>-</u>	<u>7,694</u>	<u>-</u>
Total current liabilities	<u>1,903,671</u>	<u>31</u>	<u>2,183,235</u>	<u>38</u>
NONCURRENT LIABILITIES				
Bonds payable (Notes 4 and 17)	286,752	5	-	-
Long-term borrowings (Notes 16 and 30)	712,594	11	481,096	8
Provisions - noncurrent (Notes 4 and 20)	5,794	-	8,270	-
Deferred tax liabilities (Notes 4 and 25)	95,053	1	96,276	2
Lease liabilities - noncurrent (Notes 4 and 14)	4,278	-	4,358	-
Net defined benefit liabilities (Notes 4 and 21)	102,549	2	107,997	2
Guarantee deposits received	<u>1,106</u>	<u>-</u>	<u>1,067</u>	<u>-</u>
Total noncurrent liabilities	<u>1,208,126</u>	<u>19</u>	<u>699,064</u>	<u>12</u>
Total liabilities	<u>3,111,797</u>	<u>50</u>	<u>2,882,299</u>	<u>50</u>
EQUITY (Note 22)				
Ordinary shares	<u>1,732,041</u>	<u>27</u>	<u>1,732,041</u>	<u>30</u>
Capital surplus	<u>615,528</u>	<u>10</u>	<u>574,956</u>	<u>10</u>
Retained earnings				
Legal reserve	314,783	5	287,147	5
Special reserve	294,856	5	304,265	5
Unappropriated earnings	<u>514,415</u>	<u>8</u>	<u>276,363</u>	<u>5</u>
Total retained earnings	<u>1,124,054</u>	<u>18</u>	<u>867,775</u>	<u>15</u>
Other equity	(328,708)	(5)	(294,856)	(5)
Total equity	<u>3,142,915</u>	<u>50</u>	<u>2,879,916</u>	<u>50</u>
TOTAL	<u>\$ 6,254,712</u>	<u>100</u>	<u>\$ 5,762,215</u>	<u>100</u>

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

Taiwan Hopax Chemicals Manufacturing Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 23)	\$ 4,729,003	100	\$ 3,588,701	100
OPERATING COSTS (Notes 11, 21 and 24)	<u>3,413,150</u>	<u>72</u>	<u>2,570,991</u>	<u>71</u>
GROSS PROFIT	<u>1,315,853</u>	<u>28</u>	<u>1,017,710</u>	<u>29</u>
OPERATING EXPENSES (Notes 10, 21 and 24)				
Selling and marketing	352,356	8	294,020	8
General and administrative	237,806	5	208,046	6
Research and development	154,748	3	125,677	4
Expected credit loss recognized	<u>6,690</u>	<u>-</u>	<u>6,936</u>	<u>-</u>
Total operating expenses	<u>751,600</u>	<u>16</u>	<u>634,679</u>	<u>18</u>
PROFIT FROM OPERATIONS	<u>564,253</u>	<u>12</u>	<u>383,031</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES (Note 24)				
Interest income	2,706	-	8,543	-
Other income	34,031	1	21,468	1
Other gains and losses	(18,342)	-	(13,297)	-
Finance costs	<u>(19,240)</u>	<u>(1)</u>	<u>(21,933)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(845)</u>	<u>-</u>	<u>(5,219)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	563,408	12	377,812	11
INCOME TAX EXPENSE (Notes 4 and 25)	<u>134,602</u>	<u>3</u>	<u>93,519</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>428,806</u>	<u>9</u>	<u>284,293</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 21, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(11,169)	-	2,103	-
Unrealized gain (loss) on investments in equity instruments at FVTOCI	(10,136)	-	974	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>6,569</u>	<u>-</u>	<u>(187)</u>	<u>-</u>
	<u>(14,736)</u>	<u>-</u>	<u>2,890</u>	<u>-</u>

(Continued)

Taiwan Hopax Chemicals Manufacturing Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (23,049)	(1)	\$ 10,262	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>4,610</u>	<u>-</u>	<u>(2,052)</u>	<u>-</u>
	<u>(18,439)</u>	<u>(1)</u>	<u>8,210</u>	<u>-</u>
Other comprehensive income(loss) for the year, net of income tax	<u>(33,175)</u>	<u>(1)</u>	<u>11,100</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 395,631</u>	<u>8</u>	<u>\$ 295,393</u>	<u>8</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 428,806</u>	<u>9</u>	<u>\$ 284,293</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 395,631</u>	<u>8</u>	<u>\$ 295,393</u>	<u>8</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 2.48</u>		<u>\$ 1.63</u>	
Diluted	<u>\$ 2.47</u>		<u>\$ 1.63</u>	

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

(Concluded)

Taiwan Hopax Chemicals Manufacturing Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

						Other Equity				
	Ordinary Shares	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operation	Unrealized Loss on Financial Assets at FVTOCI	Total	Treasury Stock	Total Equity
			Legal Reserve	Special Reserve						
BALANCE AT JANUARY 1, 2020	\$ 1,761,331	\$ 587,435	\$ 266,484	\$ 239,664	\$ 206,628	\$ (292,722)	\$ (11,544)	\$ (304,266)	\$ -	\$ 2,757,276
Appropriation of 2019 earnings (Note 22)										
Legal reserve	-	-	20,663	-	(20,663)	-	-	-	-	-
Special reserve	-	-	-	64,601	(64,601)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(119,771)	-	-	-	-	(119,771)
	-	-	20,663	64,601	(205,035)	-	-	-	-	(119,771)
Issuance of share dividends from capital surplus (Note 22)	-	(3,523)	-	-	-	-	-	-	-	(3,523)
Net profit for the year ended December 31, 2020	-	-	-	-	284,293	-	-	-	-	284,293
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	-	1,690	8,210	1,200	9,410	-	11,100
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	285,983	8,210	1,200	9,410	-	295,393
Treasury shares (Note 22)	-	-	-	-	-	-	-	-	(49,459)	(49,459)
Cancellation of treasury shares (Note 22)	(29,290)	(8,956)	-	-	(11,213)	-	-	-	49,459	-
BALANCE AT DECEMBER 31, 2020	1,732,041	574,956	287,147	304,265	276,363	(284,512)	(10,344)	(294,856)	-	2,879,916
Appropriation of 2020 earnings (Note 22)										
Legal reserve	-	-	27,636	-	(27,636)	-	-	-	-	-
Special reserve	-	-	-	(9,409)	9,409	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(173,204)	-	-	-	-	(173,204)
	-	-	27,636	(9,409)	(191,431)	-	-	-	-	(173,204)
Equity component of convertible bonds issued by the Company (Note 17)	-	40,572	-	-	-	-	-	-	-	40,572
Net profit for the year ended December 31, 2021	-	-	-	-	428,806	-	-	-	-	428,806
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	(8,965)	(18,439)	(5,771)	(24,210)	-	(33,175)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	419,841	(18,439)	(5,771)	(24,210)	-	395,631
Disposal of financial assets designated as at fair value through other comprehensive income	-	-	-	-	9,642	-	(9,642)	(9,642)	-	-
BALANCE AT DECEMBER 31, 2021	\$ 1,732,041	\$ 615,528	\$ 314,783	\$ 294,856	\$ 514,415	\$ (302,951)	\$ (25,757)	\$ (328,708)	\$ -	\$ 3,142,915

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

Taiwan Hopax Chemicals Manufacturing Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 563,408	\$ 377,812
Adjustments for:		
Depreciation expense	260,017	234,967
Amortization expense	23,133	10,372
Expected credit loss recognized	6,690	6,936
Net gain on FV changes of financial assets and liabilities at FVTPL	(5,234)	(1,306)
Finance costs	19,240	21,933
Interest income	(2,706)	(8,543)
Dividend income	(737)	-
Loss on disposal of property, plant and equipment, net	7,639	2,486
Write-down (reversal of write-down) of inventories	(4,848)	6,475
Other non-cash items	(2,476)	848
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	7,990	1,211
Notes receivable	12,049	(9,729)
Accounts receivable	(318,597)	70,628
Other receivables	(5,619)	(4,901)
Inventories	(260,422)	(76,096)
Prepayments	(6,412)	6,563
Other current assets	1,349	12,176
Financial liabilities held for trading	(2,997)	-
Contract liabilities	10,430	18,104
Notes payable	72,920	(22,892)
Accounts payable	71,974	(13,022)
Other payables	37,296	27,479
Other current liabilities	3,447	1,124
Net defined benefit liabilities	(16,617)	(4,923)
Cash generated from operations	470,917	657,702
Interest received	2,706	8,543
Interest paid	(18,927)	(26,343)
Income tax paid	(99,360)	(55,799)
Net cash generated from operating activities	355,336	584,103
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at FVTOCI	(26,753)	(31,505)
Sale of financial assets at FVTOCI	23,484	-
Proceeds from capital reduction of financial assets at FVTOCI	386	218
Increase in financial assets at amortized cost	(71,220)	-
Decrease in financial assets at amortized cost	-	35,512
Payments for property, plant and equipment	(248,387)	(367,923)
Proceeds from disposal of property, plant and equipment	1,858	4,259
Increase in refundable deposits	(11)	(1,082)
Acquisition of right-of-use assets	(1,281)	(1,073)

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Taiwan Hopax Chemicals Manufacturing Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Increase in other noncurrent assets	\$ (9,865)	\$ (13,996)
Dividends received	<u>737</u>	<u>-</u>
Net cash used in investing activities	<u>(331,052)</u>	<u>(375,590)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(276,671)	(145,453)
Increase in short-term bills payable	-	10,000
Decrease in short-term bills payable	(95,000)	-
Proceeds from issuance of convertible bonds	325,365	-
Increase in long-term borrowings	692,645	675,555
Repayment of long-term borrowings	(584,873)	(666,350)
Increase in guarantee deposits received	39	149
Repayment of the principal portion of lease liabilities	(3,663)	(3,826)
Distribution of cash dividends	(173,204)	(123,294)
Payments for buy-back of ordinary shares	<u>-</u>	<u>(49,459)</u>
Net cash used in financing activities	<u>(115,362)</u>	<u>(302,678)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(17,870)</u>	<u>(15,514)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(108,948)	(109,679)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>485,155</u>	<u>594,834</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 376,207</u>	<u>\$ 485,155</u>

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

(Concluded)

Taiwan Hopax Chemicals Manufacturing Co., Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Taiwan Hopax Chemicals Mfg. Co., Ltd. (the “Company”) was incorporated in 1975 under the laws of the Republic of China (ROC). The Company mainly manufactures, processes and sells the following products: chemical raw materials for pharmaceutical, industrial and paper making and office stationery.

The Company’s shares have been listed on the Taipei Exchange (TPEX) Mainboard since April 2004.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar. The Company and its subsidiaries are hereinafter collectively referred to as “the Group.”

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Company’s board of directors on March 22, 2022.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the accounting policies of the Group.

- b. The IFRSs endorsed by the FSC for application starting from 2022

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

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

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

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

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

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

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

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

Except for financial instruments measured at fair value and net defined benefit liability recognized at the amount of defined benefit liabilities less fair value of assets of the defined benefit plans, these consolidated financial statements have been prepared based on historical cost. Fair value measurement can be divided into levels 1 to 3 based on the observability and importance of input values:

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

c. Classification of current and noncurrent assets and liabilities

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as noncurrent.

d. Basis of consolidation

These consolidated financial statements include financial statements of the Company and entities (subsidiaries) controlled by the Company. Financial statements of subsidiaries have been appropriately adjusted to align their accounting policies with the Company's accounting policies. Transactions, account balances, gains, and losses between individual entities were eliminated when preparing the consolidated financial statements.

Please refer to Note 12, Note 7, and Note 8 for the detailed list, shareholding ratio, and business items of subsidiaries included in the consolidated financial statements.

e. Foreign currencies

Transactions denominated in currencies other than the functional currency (i.e., foreign currencies) are recorded after conversion into the functional currency using the exchange rate on the transaction date.

Foreign currency-denominated monetary items are converted by using the closing rate on each balance sheet date. The currency translation difference resulting from settlement or conversion of monetary items is recognized as income or loss in the current period.

Foreign currency-denominated non-monetary items carried at fair value are converted at exchange rates on the date of fair value measurement. Currency translation differences are also recognized in current profit or loss; for items that have fair value changes recognized in other comprehensive income, currency translation differences are recognized in other comprehensive income.

Foreign currency-denominated non-monetary items carried at historical costs are converted on the transaction date and are not re-converted.

When preparing the consolidated financial statements, assets and liabilities of overseas operations (including foreign operations and subsidiaries that use currencies other than the NTD) are converted to NTD using the exchange rate on each balance sheet date. Revenues and expenses/losses are converted using average exchange rate of the current period, with currency translation differences recognized in other comprehensive income.

f. Inventories

Inventories include raw materials, other materials, work in process, and finished goods. Inventories are measured at cost or net realizable value, whichever is lower. Unless the inventories are in the same category, the cost and net realizable value are compared for each individual item. Net realizable value is the estimated selling price under normal circumstances, less the estimated cost of completion and expenses for selling. Inventories are recorded at the weighted-average cost.

g. Property, plant and equipment

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

Depreciation is separately recognized for each major part of property, plant and equipment on a straight line basis over its useful life. The Group reviews methods for estimating useful life, residual value, and depreciation at least on the last day of each year; the effect of any changes is recognized prospectively as a change in accounting estimates.

When derecognizing property, plant and equipment, the difference between net disposal proceeds and the book value is recognized as gains or losses.

h. Investment properties

Investment properties are properties held for rental income or capital gain, or both.

Self-owned investment property is initially measured at cost (including transaction cost), and is subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

i. Impairment of property, plant and equipment, right-of-use assets, and investment properties

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

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

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

j. Financial instruments

When the Group is a party to the contract, financial assets and financial liabilities are recognized in the consolidated balance sheet.

If financial assets and financial liabilities being recognized for the first time are not measured at fair value through profit or loss, then they are measured at fair value plus transaction costs that can be directly attributed to the acquisition or issuance of financial assets or financial liabilities. Transaction costs that cannot be directly attributed to the acquisition or issuance of financial assets or financial liabilities are immediately recognized as profit or loss.

1) Financial assets

Regular transactions of financial assets are recognized and derecognized using transaction date accounting.

a) Type of measurement

Financial assets held by the Group include financial assets at fair value through profit or loss, financial assets at amortized cost, and equity instruments measured at fair value through other comprehensive income.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets designated as measured at fair value through profit or loss.

Financial assets mandatorily classified as at FVTPL include investments in derivative financial instruments which is not under hedge accounting.

For financial assets at fair value through profit or loss, any profit or loss from the remeasurement of fair value is listed in income.

ii. Financial assets at amortized cost

Financial assets that the Group invests in are classified as financial assets at amortized cost if they meet both of the conditions as below:

- i) Held under a business model that aims to collect cash flow from the financial asset; and
- ii) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables, and refundable deposits) are measured using the effective interest method less any impairment loss. Any foreign exchange gains/losses are recognized in profit and loss.

Financial assets are considered credit-impaired when the debtor has encountered major financial difficulties, defaulted, most likely to declare bankruptcy or other financial restructuring, or an active market for the financial asset has disappeared due to financial difficulties.

Cash equivalents include highly liquid time deposits and bonds issued under repurchase agreement that can be converted into a specific amount of cash with low risk of value change within 3 months after acquisition. Cash equivalents are used to meet short-term cash commitments.

iii. Investments in equity instruments measured at fair value through other comprehensive income

The Group could make an irreversible decision during initial recognition to measure equity instruments, which are not held for trading and not recognized from mergers and acquisitions, as at fair value through other comprehensive income.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value, and subsequent changes to fair value are listed in other comprehensive income and accumulated in other equity. When disposing of investments, accumulated gains are directly transferred to retained earnings and not reclassified as income. Dividends from equity instruments measured at fair value through other comprehensive income are recognized in income when the Group has the right to receive the dividends, unless the dividends clearly represent the recovery of investment costs.

b) Impairment of financial assets

The Group evaluates the impairment loss of financial assets at amortized cost (including accounts receivable) using ECL on each balance sheet date.

A loss provision is recognized for lifetime ECL for accounts receivable. For other financial assets, whether or not credit risk has significantly increased after the financial asset was recognized is first evaluated. If it has not significantly increased, then a loss provision is recognized for 12-month ECL. If it has significantly increased, then a loss provision is recognized for lifetime ECL.

ECL is the weighted average credit loss using the risk of default as weights. 12-month ECL is the ECL from potential default on the financial instrument within 12 months after the reporting date. Lifetime ECL is the ECL from potential default during the expected lifetime of the financial instrument.

For the purpose of internal credit risk management, the Group may deem a financial asset to be in default in the event of any one of the following situations without considering collateral:

- i. There is internal or external information showing that the debtor is no longer able to repay its debts.
- ii. More than 360 days overdue, unless there is reasonable information with evidence supporting an extension of the deadline for determining default.

The impairment loss on all financial assets is recognized as a loss allowance deducted from the book value of the asset.

c) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights to the cash inflow from the financial asset are terminated or when the Group transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

When derecognizing a financial asset at amortized cost, the difference between book value and consideration received is recognized in gains or losses. When derecognizing investments in equity instruments at fair value through other comprehensive income, accumulated gains is directly transferred to retained earnings and not reclassified as income.

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

The financial liabilities held by the Group are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

When a financial liability is derecognized, any difference between its carrying amount and the paid consideration (including any transferred non cash assets or liabilities assumed) is recognized in income or loss.

4) Convertible bonds

The component parts of compound instruments (i.e. convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

k. Revenue recognition

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sale of goods comes from sales of chemical products and stationery supplies. According to the contract, when a product is shipped or delivered to customers, customers have the right to set prices and use the products, and bear the responsibility of resale and risk of products becoming obsolete. The Company recognizes accounts receivable upon delivery. Unearned revenue from sale of goods is recognized as contract liabilities..

l. Leases

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

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Depreciation of right-of-use assets is recognized on a straight-line basis from the start date of the lease until the expiry of its useful life or lease tenor, whichever is earlier.

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

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

m. Borrowing costs

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

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period they occur.

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans. Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

o. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

and other factors that are considered relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions on probability of default and loss given default. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise

b. Inventory impairment

Net realizable value of inventory is the estimated selling price during normal business operations, less the estimated cost of completion and selling expenses. The estimates are made based on the current market situation and previous sales experience of similar products. Changes in the market situation may have a material impact on the estimates.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	\$ 815	\$ 554
Demand deposits	362,249	365,636
Checking accounts	998	2,505
Cash equivalents (Time deposits with original maturities of 3 months or less)	<u>12,145</u>	<u>116,460</u>
	<u>\$ 376,207</u>	<u>\$ 485,155</u>

The market interest rates of cash equivalents at the end of the reporting year were as follows:

	December 31	
	2021	2020
Time deposits (%)	5.00	1.95-6.5

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
	2021	2020
<u>Financial assets at fair value through profit or loss</u>		
Derivatives (not designated for hedge accounting)		
Foreign exchange (FX) swaps	\$ 1,192	\$ 608
Convertible options (Note 17)	<u>1,020</u>	<u>-</u>
	<u>\$ 2,212</u>	<u>\$ 608</u>
<u>Financial liabilities at fair value through profit or loss</u>		
Derivatives (not designated for hedge accounting)		
Foreign exchange (FX) swaps	<u>\$ 183</u>	<u>\$ -</u>

FX swaps that did not use hedge accounting and have not matured as of the balance sheet date are as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2021</u>			
Foreign exchange (FX)	USD to NTD	2022.01-2022.02	USD3,835/NTD106,465
Foreign exchange (FX)	EUR to NTD	2022.01-2022.06	EUR1,611/NTD51,200
Foreign exchange (FX)	GBP to NTD	2022.01-2022.05	GBP162/NTD6,085
<u>December 31, 2020</u>			
Foreign exchange (FX)	USD to NTD	2021.01-2021.02	USD2,005/NTD56,963
Foreign exchange (FX)	EUR to NTD	2021.01-2021.02	EUR285/NTD9,664
Foreign exchange (FX)	USD to CNY	2021.02-2021.03	USD553/CNY3,664

The Group mainly engages in FX options and swaps to avoid the risk of exchange rate fluctuations of foreign currency-denominated assets and liabilities. As the conditions for effective hedging are not met, hedge accounting is not applicable.

8. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	December 31	
	2021	2020
Restricted deposits for projects	\$ -	\$ 16,195
Restricted deposit	<u>143,011</u>	<u>55,596</u>
	<u>\$ 143,011</u>	<u>\$ 71,791</u>

Since the Group applied “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act” from November 2019, the earnings remitted from overseas subsidiary were recognized as restricted deposits for projects as mentioned above. Other restricted deposit is for customs guarantee and acceptance bills.

The Group transacted with a variety of financial institutions with sound credit ratings to disperse credit risk, hence there was no expected credit loss.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT

	December 31	
	2021	2020
Investments in equity instruments at FVTOCI		
Domestic listed shares	\$ 46,463	\$ 38,240
Overseas unlisted shares	22,310	37,414
Domestic unlisted shares	<u>27</u>	<u>399</u>
	<u>\$ 68,800</u>	<u>\$ 76,053</u>

10. NOTES, ACCOUNTS AND OTHER RECEIVABLE, NET

	December 31	
	2021	2020
Notes receivable - operating		
Measured at amortized cost		
Total book value	<u>\$ 282,371</u>	<u>\$ 294,420</u>
Accounts receivable		
At amortized cost		
Measured at amortized cost		
Total book value	\$ 1,058,041	\$ 740,222
Less: Allowance for impairment loss	<u>16,097</u>	<u>10,374</u>
	<u>\$ 1,041,944</u>	<u>\$ 729,848</u>
Other receivables		
Business tax refund receivable	\$ 18,442	\$ 13,786
Other	<u>1,441</u>	<u>478</u>
	<u>\$ 19,883</u>	<u>\$ 14,264</u>

Refer to Note 30 for information on pledged notes receivable.

The Group's average credit period for sale of goods is open account 30-180 days. Designated personnel of the Group are responsible for deciding the credit limit, approval, and other monitoring procedures to mitigate credit risk and ensure that appropriate action has been taken to recover overdue receivables. Furthermore, the Group will verify the recoverable amount of all receivables on the balance sheet date to ensure that unrecoverable receivables properly listed impairment losses. On this basis, management of the Group believes that its credit risk has decreased significantly.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at each balance sheet date. As the Group's

historical credit loss experience shows significantly different loss patterns for different customer segments, the provision matrix for expected credit loss allowance based on trade receivables due status is further distinguished according to the Group's different customer base.

There were no notes receivable that were past due or impaired at the end of the reporting year.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

a. December 31, 2021

	Not Past Due	Past Due 1 to 90 Days	Past Due 91 to 180 Days	Past Due 181 to 270 Days	Past Due 271 to 365 Days	Past Due Over 365 Days	Total
Gross carrying amount	\$ 938,431	\$ 100,959	\$ 3,350	\$ 2,279	\$ 3,761	\$ 9,261	\$ 1,058,041
Loss allowance (Lifetime ECL)	(1,619)	(1,545)	(577)	(978)	(3,286)	(8,092)	(16,097)
Amortized cost	<u>\$ 936,812</u>	<u>\$ 99,414</u>	<u>\$ 2,773</u>	<u>\$ 1,301</u>	<u>\$ 475</u>	<u>\$ 1,169</u>	<u>\$ 1,041,944</u>

b. December 31, 2020

	Not Past Due	Past Due 1 to 90 Days	Past Due 91 to 120 Days	Past Due 121 to 180 Days	Past Due 181 to 270 Days	Past Due 271 to 365 Days	Past Due Over 365 Days	Total
Gross carrying amount	\$ 650,707	\$ 70,961	\$ 4,710	\$ 352	\$ 1,345	\$ 6,084	\$ 6,063	\$ 740,222
Loss allowance (Lifetime ECL)	(667)	(355)	(94)	(18)	(135)	(3,042)	(6,063)	(10,374)
Amortized cost	<u>\$ 650,040</u>	<u>\$ 70,606</u>	<u>\$ 4,616</u>	<u>\$ 334</u>	<u>\$ 1,210</u>	<u>\$ 3,042</u>	<u>\$ -</u>	<u>\$ 729,848</u>

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 10,374	\$ 16,527
Loss allowance recognized	6,690	6,936
Loss allowance write-off	(778)	(12,539)
Net currency translation difference	<u>(189)</u>	<u>(550)</u>
Balance at December 31	<u>\$ 16,097</u>	<u>\$ 10,374</u>

11. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 529,447	\$ 463,466
Work-in-process	121,673	121,780
Raw materials	<u>612,785</u>	<u>413,205</u>
	<u>\$ 1,263,905</u>	<u>\$ 998,451</u>

The cost of inventories recognized as costs of goods sold was \$3,413,150 thousand and \$2,570,991 thousand for the years ended December 31, 2021 and 2020, respectively, which included the following items:

	For the Year Ended December 31	
	2021	2020
Write-downs (reversal of write-downs)	\$ (4,848)	\$ 6,475
Unallocated manufacturing expenses	<u>-</u>	<u>3,667</u>
	<u>\$ (4,848)</u>	<u>\$ 10,142</u>

The unallocated manufacturing expenses are mainly related to the expenses of the mainland China subsidiary Kunshan Hopax Products Co., Ltd. during the suspension of operation in the first quarter of 2020 due to the impact of the COVID-19.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership (%)	
			December 31, 2021	December 31, 2020
The Company	P.T. Hopax Indonesia (P.T. Hopax)	Manufacturing and sales of chemicals for papermaking	100	100
The Company	Phoenix Worldwide Group Ltd. (Phoenix)	Investment	100	100
The Company	Hopax Worldwide Group Limited (Hopax Worldwide)	Investment	100	100
The Company	Far Profits International Limited (Far Profits)	Sales of chemicals	100	100
The Company	Hopax Europe Limited (Hopax Europe)	Sales of office stationery	100	100
The Company	Hopax Bio-medical Co., Ltd. (Bio-medical)	Production and sales of daily cleaning products	100	100
The Company	Seecure Taiwan Co., Ltd. (Seecure)	R&D and production of medical supplies and biotechnology	100	100
The Company	Hapax International (Shanghai) Co., Ltd.	Sales of chemicals	100	100
Phoenix	Kunshan Hopax Products Co., Ltd. (Kunshan Hopax)	Production, processing and sales of office stationery	100	100
Hopax Worldwide	Hopax Holding Ltd. (Hopax Holding)	Investment	100	100
Hopax Holding	Changshu Hopax Chems Mfg. Co., Ltd. (Changshu Hopax)	Manufacturing and sales of chemicals for medical, industrial and papermaking	100	100

Seecure reduced its capital in 2020 to make up for the losses of \$40,000 thousand. The Company subsequently increased its investment in Seecure by \$30,000 thousand and \$20,000 thousand in 2021 and 2020, respectively. As of December 31, 2021, the cumulative investment amount was \$80,000 thousand.

13. PROPERTY, PLANT AND EQUIPMENT

- a. Movements of cost and accumulated depreciation were as follows:

For the year ended December 31, 2021

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 683,579	\$ 1,404,852	\$ 2,630,923	\$ 47,180	\$ 995,437	\$ 9,180	\$ 5,771,151
Additions	-	15,407	134,543	4,077	43,871	58,125	256,023
Disposals	-	(3,570)	(62,290)	(312)	(21,507)	-	(87,679)
Net exchange differences	(201)	(6,442)	(14,733)	(320)	(3,503)	(31)	(25,230)
Balance at December 31, 2021	<u>\$ 683,378</u>	<u>\$ 1,410,247</u>	<u>\$ 2,688,443</u>	<u>\$ 50,625</u>	<u>\$ 1,014,298</u>	<u>\$ 67,274</u>	<u>\$ 5,914,265</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 695,482	\$ 1,704,197	\$ 38,898	\$ 737,060	\$ -	\$ 3,175,637
Depreciation expense	-	55,414	135,073	2,953	58,746	-	252,186
Disposals	-	(2,043)	(54,814)	(305)	(21,020)	-	(78,182)
Net exchange differences	-	(3,234)	(11,364)	(236)	(2,423)	-	(17,257)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 745,619</u>	<u>\$ 1,773,092</u>	<u>\$ 41,310</u>	<u>\$ 772,363</u>	<u>\$ -</u>	<u>\$ 3,332,384</u>
Carrying amount at December 31, 2021	<u>\$ 683,378</u>	<u>\$ 664,628</u>	<u>\$ 915,351</u>	<u>\$ 9,315</u>	<u>\$ 241,935</u>	<u>\$ 67,274</u>	<u>\$ 2,581,881</u>

For the year ended December 31, 2020

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 683,958	\$ 1,235,262	\$ 2,300,600	\$ 46,198	\$ 888,860	\$ 352,831	\$ 5,507,709
Additions	-	159,476	353,610	1,607	117,584	(341,945)	290,332
Disposals	-	(1,265)	(39,200)	(515)	(14,823)	(10)	(55,813)
Net exchange difference	(379)	11,379	15,913	(110)	3,816	(1,696)	28,923
Balance at December 31, 2020	<u>\$ 683,579</u>	<u>\$ 1,404,852</u>	<u>\$ 2,630,923</u>	<u>\$ 47,180</u>	<u>\$ 995,437</u>	<u>\$ 9,180</u>	<u>\$ 5,771,151</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ -	\$ 639,355	\$ 1,611,810	\$ 36,686	\$ 697,809	\$ -	\$ 2,985,660
Depreciation expense	-	51,892	120,573	2,671	51,882	-	227,018
Disposals	-	(875)	(33,660)	(400)	(14,133)	-	(49,068)
Net exchange difference	-	5,110	5,474	(59)	1,502	-	12,027
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 695,482</u>	<u>\$ (1,704,197)</u>	<u>\$ 38,898</u>	<u>\$ 737,060</u>	<u>\$ -</u>	<u>\$ 3,175,637</u>
Carrying amount at December 31, 2020	<u>\$ 683,579</u>	<u>\$ 709,370</u>	<u>\$ 926,726</u>	<u>\$ 8,282</u>	<u>\$ 258,377</u>	<u>\$ 9,180</u>	<u>\$ 2,595,514</u>

- b. The increase in property, plant and equipment and adjustments to payment amounts on the cash flow statement were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Investing activities that affect both cash and non-cash items		
Increase in property, plant and equipment	\$ 256,023	\$ 290,332
Capitalized interest	(342)	(853)
Increase (decrease) in advance payment for equipment	(6,232)	14,126
Decrease (increase) in payables for purchased equipment	<u>(1,062)</u>	<u>64,318</u>
Payment in cash for the acquisition of property, plant and equipment	<u>\$ 248,387</u>	<u>\$ 367,923</u>

c. Estimated useful lives

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	
Main building of the office	20-50 years
Main building of the production plant	20-35 years
Warehouse, waste disposal and other buildings	5-20 years
Pipeline configuration and decoration	8-20 years
Machinery and equipment	
Main equipment of production	10-34 years
Main equipment system and accessory equipment	5-16 years
Transportation equipment	4-25 years
Others	
Main water supply equipment	15-25 years
Water supply system and accessory facilities	5-15 years
Power engineering and related system settings	3-26 years
Tools and equipment	3-30 years
Other	3-20 years

Refer to Note 30 for property, plant and equipment pledged by the Group as collateral for loans.

Refer to Note 24 for capitalized interest.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
Carrying amount		
Land	\$ 100,889	\$ 104,407
Buildings	654	2,152
Transportation equipment	<u>6,239</u>	<u>5,848</u>
	<u>\$ 107,782</u>	<u>\$ 112,407</u>
	For the Year Ended December 31	
	2021	2020
Addition to right-of-use assets	<u>\$ 3,693</u>	<u>\$ 7,622</u>
Depreciation charge for right-of-use assets		
Land	\$ 2,727	\$ 2,689
Buildings	2,775	2,751
Transportation equipment	<u>2,022</u>	<u>2,200</u>
	<u>\$ 7,522</u>	<u>\$ 7,640</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2021 and 2020.

b. Lease liabilities

	December 31	
	2021	2020
Carrying amount		
Current	<u>\$ 2,020</u>	<u>\$ 3,191</u>
Noncurrent	<u>\$ 4,278</u>	<u>\$ 4,358</u>
Range of discount rates for lease liabilities (%)		
Buildings	1.42	1.42
Transportation equipment	1.06-1.36	1.07-1.36

- c. The subsidiaries in China have signed land lease agreements with local governments. The lease periods are both 50 years and will expire in June 2051 and October 2062.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 6,217</u>	<u>\$ 5,562</u>
Total cash outflow for leases	<u>\$ 11,258</u>	<u>\$ 10,557</u>

Operating lease: See Note 15 for details.

15. INVESTMENT PROPERTIES

	Land	Buildings and Accessory Equipment	Total
<u>For the year ended December 31, 2021</u>			
Cost			
Balance at December 31, 2021	<u>\$ 7,454</u>	<u>\$ 10,329</u>	<u>\$ 17,783</u>
Accumulated depreciation			
Balance at January 1, 2021	\$ -	\$ 8,499	\$ 8,499
Depreciation expense	<u>-</u>	<u>309</u>	<u>309</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 8,808</u>	<u>\$ 8,808</u>
Carrying amount at December 31, 2021	<u>\$ 7,454</u>	<u>\$ 1,521</u>	<u>\$ 8,975</u>
<u>For the year ended December 31, 2020</u>			
Cost			
Balance at December 31, 2020	<u>\$ 7,454</u>	<u>\$ 10,329</u>	<u>\$ 17,783</u>
Accumulated depreciation			
Balance at January 1, 2020	\$ -	\$ 8,190	\$ 8,190
Depreciation expense	<u>-</u>	<u>309</u>	<u>309</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 8,499</u>	<u>\$ 8,499</u>
Carrying amount at December 31, 2020	<u>\$ 7,454</u>	<u>\$ 1,830</u>	<u>\$ 9,284</u>

The Group is the lessor of property leased to unrelated parties, and recognized rental revenue of \$2,094 thousand and \$1,642 thousand in 2021 and 2020, respectively.

Lease commitments with lease terms commencing after the balance sheet dates are as follows:

	December 31	
	2021	2020
1 year	\$ 2,094	\$ 2,094
1 year to 5 year	<u>1,153</u>	<u>3,247</u>
	<u>\$ 3,247</u>	<u>\$ 5,341</u>

Depreciation of investment properties - building is recognized using the straight - line method over 25 years.

The determination of fair value was not performed by independent qualified professional valuers. The management of the Group used the valuation model that market participants would use in determining the fair value and the fair value was measured using Level 3 inputs. In 2021 and 2020, the fair value of the investment properties was \$46,876 thousand and \$42,188 thousand, respectively.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Unsecured loans		
Credit loans	<u>\$ 636,663</u>	<u>\$ 913,334</u>

The annual interest rates of short-term borrowings were 0.67%-3.8% and 0.75%-1.55% at December 31, 2021 and 2020, respectively.

b. Short-term bills payable

	December 31	
	2021	2020
Commercial paper payable	\$ 40,000	\$ 135,000
Discounts of short-term bills payable	<u>22</u>	<u>70</u>
	<u>\$ 39,978</u>	<u>\$ 134,930</u>
Interest rates (%)	0.948	0.958

The commercial papers are guaranteed acceptance by China Bills Finance Corporation and Dah Chung Bills Finance Corporation.

c. Long-term borrowings

	December 31	
	2021	2020
Secured loans (Note 30)		
Bank borrowings - maturity before April 2026	\$ 734,172	\$ 308,264
Unsecured loans		
Bank borrowings - maturity before August 2023	<u>129,437</u>	<u>451,060</u>
	863,609	759,324
Less: Current portion	<u>151,015</u>	<u>278,228</u>
	<u>\$ 712,594</u>	<u>\$ 481,096</u>
Annual interest rates (%)	0.69-1.58	0.82-1.66

17. BONDS PAYABLE - December 31, 2021

	Amount
5th domestic unsecured convertible bonds	\$ 300,000
Less: Discount on bonds payable	<u>(13,248)</u>
	<u>\$ 286,752</u>

In October 2021, the Company issued its 5th domestic three-year unsecured zero-coupon convertible bonds with an aggregate principal amount of \$330,365 thousand (110.12% of the face value) and a par value of \$100 thousand per bond certificate.

Bondholders are entitled to convert bonds into the Company's common stock at price per share from three months after the date of issue to the maturity date, except for the period of suspension of transfer stipulated by legal order or conversion measures. The conversion price was set at \$55.9 per share, and the subsequent conversion price will be adjusted in accordance with the provisions of the issuance measures in case of ex-rights or ex-dividends in the issuance measures.

If the closing price of the Company's common stock is at least 30% of the conversion price then in effect for 30 consecutive trading days or the aggregate outstanding balance of bonds payable is less than 10% of the original issuance amount, the Company has the right to redeem the outstanding bonds payable at par value in cash during the period from three months after the issuance date to the date 40 days prior to the maturity date.

Under the terms of the convertible bonds, the bondholders have the right to require the Company to redeem any bonds in cash at face value of the convertible bonds after two years from the issuance date.

The amount of the face value of the convertible bonds has to be fully paid off in cash at maturity by the Company.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options; the effective interest rate of the equity and liability component was 1.60% per annum on initial recognition.

	December 31, 2021
Proceeds from issuance (less transaction costs of \$5,000 thousand)	\$ 325,365
Redemption of option	1,180
Equity component (less transaction costs of \$153 thousand)	<u>(40,572)</u>
Liability component at the date of issue (less transaction costs of \$4,847 thousand)	285,973
Interest charged at an effective interest rate	<u>779</u>
	<u>\$ 286,752</u>

18. NOTES PAYABLE AND ACCOUNTS PAYABLE

a. Notes payable

Notes payable are due to business activities. The amounts as of December 31, 2021 and 2020 were \$211,671 thousand and \$139,758 thousand, respectively.

b. Accounts payable

Accounts payable are due to business activities. The credit period is 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. No interest was charged on the outstanding accounts payable.

19. OTHER PAYABLES

	December 31	
	2021	2020
Wages and salaries payable	\$ 88,805	\$ 73,690
Payable on equipment	72,907	70,837
Payable for freight and export expenses	42,189	30,100
Payable for repair and maintenance fees	21,238	19,626
Payable for compensation of employees and remuneration of directors	22,234	14,740
Compensated absences	16,034	14,383
Others	<u>89,946</u>	<u>90,784</u>
	<u>\$ 353,353</u>	<u>\$ 314,160</u>

20. PROVISIONS - NONCURRENT

Provisions are made for long-term pension and welfare liabilities for employees, and the movements were as follows:

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 8,270	\$ 7,422
Provision recognized (reversal)	<u>(2,476)</u>	<u>848</u>
Balance at December 31	<u>\$ 5,794</u>	<u>\$ 8,270</u>

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

- 1) The Company and subsidiaries in the ROC have defined contribution plans managed by the government according to the Labor Pension Act, and contribute 6% of employees' monthly salaries to their individual pension account at the Bureau of Labor Insurance.
- 2) The overseas subsidiaries make pension contributions according to local laws and regulations, which are classified as a defined contribution plan.
- 3) The subsidiaries in China make contributions at certain ratio of salary in accordance with local regulations, which are defined contribution plans. The contributions are saved in a specified organization and then disbursed by the government. Due to the impact of COVID-19, the local government of the China subsidiary implemented a phased reduction of and exemption from contributions.

b. Defined benefit plans

The pension system implemented by the Group according to the Labor Standards Act of the ROC is a defined benefit plan managed by the government. Payment of employee pensions is calculated based on the employee's years of service and 6-month average wage before the approved date of retirement. The Company makes monthly contributions equal to 5% of employees' monthly salaries and wages to the pension fund, which is then deposited into to a dedicated account at the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Reserve Fund. The Company also makes monthly contributions equal to 8% of manager's monthly salaries and wages to the manager pension fund, which is then deposited into to a dedicated account at the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Reserve Fund. Before the end of each year, if the balance in the dedicated account is insufficient to pay the retirement benefits of employees who are eligible for retirement in the following year, the deficit will be funded in one appropriation before the end of March in the following year. The dedicated account is managed by the Bureau of Labor Funds, Ministry of Labor. The Company does not have any right to influence its investment management strategy.

Subsidiary P.T. Hopax should make severance pay to qualified employees in accordance with a defined benefit plan local labor laws.

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 250,380	\$ 243,223
Fair value of plan assets	<u>(147,831)</u>	<u>(135,226)</u>
Net defined benefit liabilities	<u>\$ 102,549</u>	<u>\$ 107,997</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<u>\$ 243,242</u>	<u>\$ (128,219)</u>	<u>\$ 115,023</u>
Service cost			
Current service cost	4,564	-	4,564
Net interest expense (income)	<u>3,057</u>	<u>(970)</u>	<u>2,087</u>
Recognized in profit or loss	<u>7,621</u>	<u>(970)</u>	<u>6,651</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,117)	(4,117)
Actuarial loss - changes in demographic assumptions	1,654	-	1,654
Actuarial loss - changes in financial assumptions	8,209	-	8,209
Actuarial gain - experience adjustments	<u>(7,849)</u>	<u>-</u>	<u>(7,849)</u>
Recognized in other comprehensive income	<u>2,014</u>	<u>(4,117)</u>	<u>(2,103)</u>
Contributions from the employer	<u>-</u>	<u>(7,908)</u>	<u>(7,908)</u>
Benefit payments	<u>(5,988)</u>	<u>5,988</u>	<u>-</u>
Paid by the Company	<u>(2,323)</u>	<u>-</u>	<u>(2,323)</u>
Exchange differences	<u>(1,343)</u>	<u>-</u>	<u>(1,343)</u>
Balance at December 31, 2020	<u>243,223</u>	<u>(135,226)</u>	<u>107,997</u>
Service cost			
Current service cost	3,706	-	3,706
Past service cost and loss (gain) on settlements	(726)	-	(726)
Net interest expense (income)	<u>2,304</u>	<u>(682)</u>	<u>1,622</u>
Recognized in profit or loss	<u>5,284</u>	<u>(682)</u>	<u>4,602</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,723)	(1,723)
Actuarial loss - changes in demographic assumptions	6,908	-	6,908
Actuarial loss - changes in financial assumptions	(3,022)	-	(3,022)
Actuarial loss - experience adjustments	<u>9,006</u>	<u>-</u>	<u>9,006</u>
Recognized in other comprehensive income	<u>12,892</u>	<u>(1,723)</u>	<u>11,169</u>
Employer contributions	<u>-</u>	<u>(20,690)</u>	<u>(20,690)</u>
Benefit payments	<u>(10,490)</u>	<u>10,490</u>	<u>-</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Exchange differences	\$ (529)	\$ -	\$ (529)
Balance at December 31, 2021	<u>\$ 250,380</u>	<u>\$ (147,831)</u>	<u>\$ 102,549</u> (Concluded)

The Group is exposed to the following risks on the pension system under the Labor Standards Act :

1) Investment risk

The Bureau of Labor Funds (BLF) of the Ministry of Labor (MOL) invests the labor pension fund in domestic and overseas equity securities, bonds, and bank deposits at its own discretion and through mandated investments. However, the interest rate of the investments may not be lower than the interest rate for 2-year time deposits at local banks.

2) Interest risk

A decrease in bond interest rate will cause the present value of defined benefit liabilities to increase. However, the return on assets of defined benefit plans will increase, and the effect of the two on defined benefit liabilities will offset each other.

3) Salary risk

Calculation of the present value of defined benefit liabilities takes into consideration the future salaries of members of defined benefit plans. Hence, an increase in salaries of members of defined benefit plans will increase the present value of defined benefit liabilities.

The present value of defined benefit liabilities of the Group is calculated by a qualified actuary, and major assumptions on the measurement date are as follows:

	December 31	
	2021	2020
Discount rate (%)	0.625 (the Company)/ 7.0 (P.T. Hopax)	0.5 (the Company)/ 7.0 (P.T. Hopax)
Expected rate of salary increase (%)	2.5 (the Company)/ 10 (P.T. Hopax)	2.5 (the Company)/ 10 (P.T. Hopax)

If a reasonable change to a significant actuarial assumption occurs while all other assumptions remain the same, the amount of increase (decrease) in the present value of defined benefit liabilities is as follows:

	December 31	
	2021	2020
The Company		
Discount rate		
0.25% increase	<u>\$ (5,834)</u>	<u>\$ (5,951)</u>
0.25% decrease	<u>\$ 6,046</u>	<u>\$ 6,178</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 5,834</u>	<u>\$ 5,952</u>
0.25% decrease	<u>\$ (5,661)</u>	<u>\$ (5,766)</u>
P.T. Hopax		
Discount rate		
1% increase	<u>\$ (2,030)</u>	<u>\$ (2,263)</u>
1% decrease	<u>\$ 2,363</u>	<u>\$ 2,656</u>
Expected rate of salary increase		
1% increase	<u>\$ 2,493</u>	<u>\$ 2,790</u>
1% decrease	<u>\$ (2,170)</u>	<u>\$ (2,412)</u>

Since actuarial assumptions may be related, it is unlikely that only one assumption will change at a time, so the sensitivity analysis above might not reflect actual changes in the present value of defined benefit liabilities.

	December 31	
	2021	2020
Expected contributions to the plan for the next year	<u>\$ 2,582</u>	<u>\$ 2,510</u>
Average duration of the defined benefit obligation	10.37-15.23 years	10.9-15.6 years

22. EQUITY

a. capital stock - common

	December 31	
	2021	2020
Authorized shares (thousand shares)	<u>260,000</u>	<u>260,000</u>
Authorized share capital	<u>\$ 2,600,000</u>	<u>\$ 2,600,000</u>
Current outstanding shares (thousand shares)	<u>173,204</u>	<u>173,204</u>
Issued capital	<u>\$ 1,732,041</u>	<u>\$ 1,732,041</u>

The Company's common shares have a par value of NT\$10. Each share is entitled to one voting right and the right to receive dividends.

On July 6, 2020, the Company's board of directors passed a resolution for the cancellation of 2,929 thousand shares of treasury shares, with July 6, 2020 as the base date for capital reduction; the issued capital after the capital reduction was \$1,732,041 thousand.

b. Capital surplus

	December 31	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)		
Issuance of ordinary shares	\$ 529,652	\$ 529,652
Treasury share transactions	666	666
Others (Note 2)	<u>44,638</u>	<u>44,638</u>
	<u>574,956</u>	<u>574,956</u>
May not be used for any purpose		
Equity component of convertible bonds payable	<u>40,572</u>	
	<u>\$ 615,528</u>	<u>\$ 574,956</u>

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

Note 2: Subscription of new shares waived by employees and stock options not used by bondholders.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Company's articles of incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, and shall be distributed in the following order:

- 1) 10% as legal reserve until the legal reserve equals to the Company's paid-in capital;
- 2) Special reserve appropriated or reversed in accordance with laws or regulations set forth by the authorities concerned;
- 3) If the Company has net income at the end of the year, a proposal for the distribution of such amount together with a part or all of the accumulated undistributed profits from previous years shall be prepared by the board of directors and submitted to the shareholders' meeting for resolution.

Distributable dividends may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by at least two-thirds of the total number of directors, and a report of such distribution shall be submitted to the shareholders' meeting according to the Company Law.

The Company's dividend policy is in line with the current and future development plans, environment, capital needs and domestic and international competition in order to promote shareholders' interests. Thus, the Company may retain some of its earnings according to the Company's operation, and the residual earnings may be distributed in cash or shares. Cash dividends shall be at least 10% of the total dividends distributed. However, cash dividends shall be less than 10% of the total dividends paid if the total balance of short-term borrowings and long-term liabilities due within one year of the issuance of the Company's surplus is greater than the sum of cash and cash equivalents or if the amount of

liabilities is greater than half of the total assets.

The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1090150022 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2020 and 2019 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 27,636	\$ 20,663		
Special reserve	(9,409)	64,601		
Cash dividends	173,204	119,771	\$ 1.00	\$ 0.68

The above appropriations for cash dividends were resolved by the Company's board of directors on March 23, 2021 and March 25, 2020, respectively; the other proposed appropriations were resolved by the shareholders in their meeting on August 26, 2021 and June 23, 2020, respectively. The Company's shareholders also resolved in the shareholders' meeting on August 26, 2021 to issue cash dividends of \$3,523 thousand from the capital surplus.

The appropriation of earnings for 2021, which were proposed by the Company's board of directors on March 22, 2022, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 42,881	
Special reserve	33,852	
Cash dividends	216,863	\$ 1.25

The above appropriation for cash dividends has been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held in June 2022.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (284,512)	\$ (292,722)
Exchange differences on translating the financial statements of foreign operations	(23,049)	10,262
Income tax from exchange differences on translating the financial statements of foreign operations	<u>4,610</u>	<u>(2,052)</u>
Balance at December 31	<u>\$ (302,951)</u>	<u>\$ (284,512)</u>

2) Unrealized gains (losses) on financial assets at FVTOCI

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (10,344)	\$ (11,544)
Unrealized loss on financial assets at FVTOCI	(10,136)	974
Income tax from unrealized loss on financial assets at FVTOCI	4,365	226
Cumulative unrealized gain/loss of equity instruments transferred to retained earnings due to disposal	<u>(9,642)</u>	<u>-</u>
Balance at December 31	<u>\$ (25,757)</u>	<u>\$ (10,344)</u>

e. Treasury shares

On March 25, 2020, the Company's board of directors resolved to purchase its ordinary shares from the market with \$49,459 thousand as the total repurchase amount for 3,000 thousand shares. In order to maintain shareholders' equity, 2,292 thousand shares were bought back and the purchase price was \$2,929 thousand. The execution has been done on July 6, 2020.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

23. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 4,729,003</u>	<u>\$ 3,588,701</u>

a. Refer to Note 4 for the description of the contracts with customers.

b. Contract balances

	December 31		January 1
	2021	2020	2020
Notes and accounts receivable	<u>\$ 1,324,315</u>	<u>\$ 1,024,268</u>	<u>\$ 1,091,553</u>
Contract liabilities - current			
Sale of goods	<u>\$ 59,424</u>	<u>\$ 48,994</u>	<u>\$ 30,890</u>

Revenue in the current year that was recognized from the contract liability balance at the beginning of the year was as follows:

	December 31	
	2021	2020
From contract liabilities at the start of the year		
Sale of goods	<u>\$ 31,673</u>	<u>\$ 16,495</u>

c. Refer to Note 34 for disaggregation of revenue from contracts with customers.

24. PROFIT BEFORE INCOME TAX

Profit before income tax included the following items:

a. Other revenue

	For the Year Ended December 31	
	2021	2020
Grant income	\$ 17,265	\$ 10,357
Rent revenue	2,094	1,642
Dividend revenue	737	-
Others	<u>13,935</u>	<u>9,469</u>
	<u>\$ 34,031</u>	<u>\$ 21,468</u>

b. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Net foreign exchange losses	\$ (15,223)	\$ (11,429)
Loss on disposal of property, plant and equipment, net	(7,639)	(2,486)
Gain on financial liabilities at FVTPL, net	5,234	1,306
Others	<u>(714)</u>	<u>(688)</u>
	<u>\$ (18,342)</u>	<u>\$ (13,297)</u>

The content of net foreign exchange losses is as follows:

	For the Year Ended December 31	
	2021	2020
Total amount of foreign exchange gains	\$ 64,318	\$ 87,341
Total amount of foreign exchange losses	<u>(79,541)</u>	<u>(98,770)</u>
Net loss	<u>\$ (15,223)</u>	<u>\$ (11,429)</u>

c. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest of borrowings	\$ 17,886	\$ 20,963
Interest of short-term bills payable	820	1,727
Interest of convertible bonds	779	-
Interest of lease liabilities	<u>97</u>	<u>96</u>
Interest of financial liabilities at amortized cost	19,582	22,786
Less: Amounts included in the cost of qualifying assets	<u>342</u>	<u>853</u>
	<u>\$ 19,240</u>	<u>\$ 21,933</u>

Information on capitalized interest is as follows:

	For the Year Ended December 31	
	2021	2020
Capitalized interest	\$ 342	\$ 853
Capitalization rate (%)	0.99	1.10-1.21

d. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 252,186	\$ 227,018
Investment properties	309	309
Right-of-use assets	7,522	7,640
Other assets	<u>23,133</u>	<u>10,372</u>
	<u>\$ 283,150</u>	<u>\$ 245,339</u>
An analysis of depreciation by function		
Operating costs	\$ 223,696	\$ 199,030
Operating expenses	<u>36,321</u>	<u>35,937</u>
	<u>\$ 260,017</u>	<u>\$ 234,967</u>
An analysis of amortization by function		
Operating costs	\$ 4,501	\$ 3,678
Operating expenses	<u>18,632</u>	<u>6,694</u>
	<u>\$ 23,133</u>	<u>\$ 10,372</u>

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2021	2020
Direct operating expenses of investment properties that generate rental income	<u>\$ 309</u>	<u>\$ 309</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits		
Salary and bonus	\$ 576,637	\$ 495,821
Labor and health insurance	60,391	41,654
Others	<u>36,411</u>	<u>35,300</u>
	<u>673,439</u>	<u>572,775</u>

(Continued)

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 15,610	\$ 13,913
Defined benefit plans (Note 21)	<u>4,602</u>	<u>6,651</u>
	<u>20,212</u>	<u>20,564</u>
Other employee benefits	<u>(2,476)</u>	<u>848</u>
	<u>\$ 691,175</u>	<u>\$ 594,187</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 425,985	\$ 356,610
Operating expenses	<u>265,190</u>	<u>237,577</u>
	<u>\$ 691,175</u>	<u>\$ 594,187</u>
		(Concluded)

g. Compensation of employees and remuneration of directors

According to the articles of incorporation, the Company accrued compensation of employees and remuneration of directors at a rate of no less than 2% and no more than 2% of net profit before income tax and before deduction of the distribution of compensation of employees and remuneration of directors in the current year. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020 were resolved by the board of directors on March 23, 2022 and March 23, 2021 as follows:

	For the Year Ended December 31	
	2021	2020
<u>Accrual rate (%)</u>		
Compensation of employees	3.49	3.66
Remuneration of directors	0.72	0.75
<u>Amount</u>		
Compensation of employees	\$ 18,454	\$ 12,234
Remuneration of directors	3,780	2,506

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

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

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

25. INCOME TAX

- a. The major components of income tax expense recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 135,956	\$ 96,027
Additional surtax on undistributed earnings	18	-
Adjustments for prior years	<u>(5,702)</u>	<u>(2,280)</u>
	<u>130,272</u>	<u>93,747</u>
Deferred tax		
In respect of the current year	4,330	(1,094)
Tax rate changes	<u>-</u>	<u>866</u>
	<u>4,330</u>	<u>(228)</u>
	<u>\$ 134,602</u>	<u>\$ 93,519</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before income tax	<u>\$ 563,408</u>	<u>\$ 377,812</u>
Income tax expense on pre-tax profit calculated at the statutory tax rate	\$ 121,432	\$ 85,896
Non-deductible expenses and additional income from tax	1,188	1,081
Tax exempt income	(390)	(2,787)
Additional surtax on undistributed earnings	18	-
Effect of deferred income tax on subsidiary earnings	12,909	7,063
Unrecognized deductible temporary differences	(83)	9,077
Unrecognized loss deduction	5,230	3,469
Realized investment losses	-	(8,000)
Adjustments for prior years	<u>(5,702)</u>	<u>(2,280)</u>
	<u>\$ 134,602</u>	<u>\$ 93,519</u>

The income tax is paid in accordance with the tax rate set by the local government. The income tax rates are listed as follows:

	For the Year Ended December 31	
	2021	2020
The Company	20%	20%
Bio-medical	20%	20%
P.T. Hopax	22%	22%
Hopax International (Shanghai) Co. Ltd.	25%	25%
Kunshan Hopax	25%	25%
Changshu Hopax	25%	25%

The subsidiary Seecure and Hopax Europe have no income and have accumulated losses, so there is no income tax expense. In addition, the earnings of Far Profits, Phoenix, Hopax Worldwide and Hopax Holding are exempt from income tax in accordance with local laws.

b. Income tax benefit (loss) recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
Deferred tax		
Tax rate changes	\$ -	\$ (32)
In respect of the current year		
Unrealized gain on financial assets at FVTOCI	4,365	226
Remeasurement of defined benefit plans	2,204	(381)
Translation of foreign operations	<u>4,610</u>	<u>(2,052)</u>
	<u>\$ 11,179</u>	<u>\$ (2,239)</u>

c. Current tax assets and liabilities

	December 31	
	2021	2020
Tax refund receivable	\$ -	\$ 7,609
Income tax payable	<u>\$ 75,531</u>	<u>\$ 52,228</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehens ive Income	Exchange Differences	Balance, End of Year
Deferred Tax Assets					
Temporary differences					
Exchange differences on translating the financial statements of foreign operations	\$ 85,365	\$ -	\$ 4,610	\$ -	\$ 89,975
Defined benefit plans	33,042	370	2,204	(116)	35,500
Tax losses	-	2,059	-	-	2,059
Others	<u>40,434</u>	<u>(6,635)</u>	<u>3,018</u>	<u>(154)</u>	<u>36,663</u>
	<u>\$ 158,841</u>	<u>\$ (4,206)</u>	<u>\$ 9,832</u>	<u>\$ (270)</u>	<u>\$ 164,197</u>
Deferred Tax liabilities					
Temporary differences					
Undistributed surplus from overseas reinvestment	\$ 83,445	\$ (3,130)	\$ -	\$ -	\$ 80,315
Others	<u>12,831</u>	<u>3,254</u>	<u>(1,347)</u>	<u>-</u>	<u>14,738</u>
	<u>\$ 96,276</u>	<u>\$ 124</u>	<u>\$ (1,347)</u>	<u>\$ -</u>	<u>\$ 95,053</u>

For the year ended December 31, 2020

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehens ive Income	Exchange Differences	Balance, End of Year
<u>Deferred Tax Assets</u>					
Temporary differences					
Exchange differences on translating the financial statements of foreign operations	\$ 87,417	\$ -	\$ (2,052)	\$ -	\$ 85,365
Defined benefit liabilities	33,906	(119)	(413)	(332)	33,042
Others	<u>37,136</u>	<u>2,054</u>	<u>1,573</u>	<u>(329)</u>	<u>40,434</u>
	<u>\$ 158,459</u>	<u>\$ 1,935</u>	<u>\$ (892)</u>	<u>\$ (661)</u>	<u>\$ 158,841</u>
<u>Deferred Tax liabilities</u>					
Temporary differences					
Undistributed surplus from overseas reinvestment	\$ 83,169	\$ 276	\$ -	\$ -	\$ 83,445
Others	<u>10,053</u>	<u>1,431</u>	<u>1,347</u>	<u>-</u>	<u>12,831</u>
	<u>\$ 93,222</u>	<u>\$ 1,707</u>	<u>\$ 1,347</u>	<u>\$ -</u>	<u>\$ 96,276</u>

- e. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	2021	2020
<u>Seecure Taiwan Co., Ltd.</u>		
Loss deduction		
Expires in 2022	\$ 19,745	\$ 19,745
Expires in 2023	22,152	22,152
Expires in 2024	24,509	24,509
Expires in 2025	19,961	19,961
Expires in 2026	25,559	25,559
Expires in 2027	22,464	22,464
Expires in 2028	20,504	20,504
Expires in 2029	22,289	22,289
Expires in 2030	26,100	24,624
Expires in 2031	<u>26,152</u>	<u>-</u>
	<u>\$ 229,435</u>	<u>\$ 201,807</u>

- f. Information on unused loss carryforwards

Loss deduction as of December 31, 2021 comprised:

Unused Amount	Expiry Year
<u>\$ 2,059</u>	115 year

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

As of December 31, 2021 and 2020, the taxable temporary differences related to investment in subsidiaries for which no deferred tax liabilities have been recognized was \$109,897 thousand and \$88,743 thousand, respectively.

- h. Income tax assessments

The tax returns of the Company and its subsidiaries in the ROC through 2019 and 2020 respectively, have been assessed by the tax authority.

26. EARNINGS PER SHARE

EPS and weighted average ordinary shares are calculated as follows:

Net profit for the year

	<u>For the Year Ended December 31</u>	
	2021	2020
Profit for the year attributable to owners of the Company	<u>\$ 428,806</u>	<u>\$ 284,293</u>

Shares

	<u>For the Year Ended December 31</u>	
	2021	2020
Weighted average ordinary shares used to calculate basic EPS	173,204	174,098
Effect of diluted potential ordinary shares		
Compensation of employees	<u>370</u>	<u>576</u>
Weighted average ordinary shares used to calculate diluted EPS	<u>173,574</u>	<u>174,674</u>

The Company may distribute compensation of employees in shares or cash, so it is assumed that all distribution will be in shares, which, if dilutive, are included in the calculation of weighted-average number of ordinary shares outstanding. The number of potential shares is included in the calculation of earnings per share until the shareholders have decided on the distribution of the compensation of employees in the following year.

27. CAPITAL RISK MANAGEMENT

The Group's capital management aims to ensure that the entities in the Group are able to continue as going concerns and able to maximize returns for shareholders by optimizing the balance of liabilities and equity. The Group's overall strategy remains unchanged from the last 2 years.

The capital structure of the Group consists of borrowings (short-term borrowings, shore-term bills payable and long-term borrowings) minus cash and equity (i.e. share capital, capital surplus, retained earnings and other equity items).

The Group is not required to comply with other external capital related regulations.

28. FINANCIAL INSTRUMENTS

a. Information on fair value - Financial instruments not measured at fair value

Management of the Group believes that the book value of financial assets and financial liabilities not measured at fair value is near the fair value, or the fair value cannot be measured.

b. Information on fair value - Financial instruments measured at fair value on a recurring basis

1) Fair value level

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Financial assets at FVTPL				
Derivative instruments				
Forward exchange contracts	\$ -	\$ 1,192	\$ -	\$ 1,192
Redemption option and put option of convertible bonds	\$ -	\$ 1,020	\$ -	\$ 1,020
<u>Financial liabilities at FVTPL</u>				
Derivative instruments				
Forward exchange contracts	\$ -	\$ 183	\$ -	\$ 183
<u>Financial assets at FVTOCI</u>				
Domestic listed shares	\$ 46,463	\$ -	\$ -	\$ 46,463
Unlisted ordinary shares	\$ -	\$ -	\$ 22,337	\$ 22,337

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative instruments				
Forward exchange contracts	\$ -	\$ 608	\$ -	\$ 608
<u>Financial assets at FVTOCI</u>				
Domestic listed shares	\$ 38,240	\$ -	\$ -	\$ 38,240
Domestic unlisted shares	\$ -	\$ -	\$ 37,813	\$ 37,813

For domestic listed shares in 2021 and 2020, the Group uses the market value as its fair value (i.e. level 1), the fair value is the closing price from the Taiwan Stock Exchange.

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2021 and 2020.

2) Reconciliation of Level 3 fair value measurements of financial instruments

	December 31	
	2021	2020
Financial assets at FVTOCI		
Balance at January 1,	\$ 37,813	\$ 43,574
Reduction of capital	(386)	-
Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI)	<u>(15,090)</u>	<u>(5,761)</u>
Balance at December 31	<u>\$ 22,337</u>	<u>\$ 37,813</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instrument	Valuation Technique and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivatives - redemption option and put option of convertible bonds	Option pricing models - Use of present value techniques and reflect the time value and intrinsic value of redemption option and put option.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of domestic unlisted shares is determined based on the company's net worth.

c. Categories of financial instruments

	December 31	
	2021	2020
Financial assets		
FVTPL		
Mandatorily at FVTPL	\$ 2,212	\$ 608
Measured at amortized cost (Note 1)	1,867,461	1,599,512
FVTOCI		
Equity instruments	68,800	76,053
Financial liabilities		
Mandatorily at FVTPL	183	-
Measured at amortized cost (Note 2)	2,755,824	2,553,291

Note 1: The balances include cash, financial assets at amortized cost, notes receivable, accounts receivable (including related parties), other receivables (including related parties) and refundable deposits and other financial assets at amortized cost.

Note 2: The balances include short-term borrowings, short-term bills payable, accounts payable (including related parties), other payables (including related parties), bonds payable, long-term borrowings (including current portion), guarantee deposits received, and financial liabilities at amortized cost.

d. Financial risk management objectives and policies

The Group's main financial instruments include accounts receivable, accounts payable, short-term notes and bills payable, and long-term and short-term borrowings. The Group's financial management department provides services to sales units, coordinates operations in domestic and international financial markets, and analyzes exposure based on the level and extent of risks, in order to supervise and manage financial risks related to the Group's operations. Risks include market risk (including foreign exchange risk, and interest rate risk), credit risk, and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The main financial risk of the Group due to business activities is the risk of changes in exchange rates (refer to (1) below) and changes in interest rates (refer to (2) below). The Group uses forward exchange contracts to mitigate foreign currency risk of assets and liabilities denominated in USD.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign exchange risk

The Group engages in sales and purchase of goods denominated in foreign currencies, which expose the Group to the risk of exchange rate changes. The Group manages its exposure to foreign exchange risk using FX options and swaps within the scope permitted by policy. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

Please see Note 32 for the book value of the Group's monetary assets and liabilities not denominated in the functional currency on the balance sheet date.

Sensitivity analysis

The Group was mainly exposed to the USD

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the USD. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and

the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2021	2020
Profit or loss	\$ 95	\$ 146

The result was mainly attributable to the exposure on outstanding cash in bank, borrowings, receivables and payables in USD that were not hedged at the end of the year.

b) Interest rate risk

The Group is exposed to interest rate risk on its financial assets and liabilities. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The Group manages its interest rate risk by having financial liabilities at fixed or variable interest rates in accordance with the market interest rate trends of each financial instrument.

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

	For the Year Ended December 31	
	2021	2020
Fair value interest rate risk		
Financial liabilities	\$ 401,031	\$ 354,358
Cash flow interest rate risk		
Financial assets	517,405	489,263
Financial liabilities	1,035,539	701,459

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for financial assets and liabilities at the end of the reporting period. The analysis was prepared assuming the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of financial asset had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by NT\$5,181 thousand and NT\$2,122 thousand, respectively, which was mainly a result of the changes in the floating interest rate bank deposits and borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to counterparties' failure to discharge an obligation is the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee periodically.

The Group transacted with a large number of customers from various industries and geographical locations. The Group continuously assesses the operations and financial positions of customers and monitors the collectability of accounts receivable.

The Group transacted foreign exchange forward contracts with financial holding institutions, so the credit risk is limited.

3) Liquidity risk

The Group maintains sufficient cash and cash equivalents to support the group's operation and mitigate the impact of cash flow fluctuations. The management continuously monitoring banking facilities to ensure compliance with the terms of the loan contract. The Group expects to generate cash inflows from operating activities in the future continually. The Group assesses no significant liquidity risk. Bank borrowings are an important source of the Group's liquidity.

Liquidity and interest risk rate table

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

Bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates. To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the year.

December 31, 2021

	1-3 Months	3 Months to 1 Year	More than 1 Year
Noninterest- bearing liabilities	\$ 822,671	\$ 105,045	\$ -
Lease liabilities	520	1,561	4,341
Fixed interest rate liabilities	303,063	92,861	412,268
Variable interest rate liabilities	214,346	219,731	629,510
Guarantee liabilities	<u>7,106</u>	<u>15,848</u>	<u>-</u>
	<u>\$ 1,347,706</u>	<u>\$ 435,046</u>	<u>\$ 1,046,119</u>

December 31, 2020

	1-3 Months	3 Months to 1 Year	More than 1 Year
Noninterest-bearing liabilities	\$ 650,025	\$ 94,611	\$ -
Lease liabilities	816	2,449	4,440
Fixed interest rate liabilities	664,181	92,961	358,102
Variable interest rate liabilities	129,787	443,504	133,269
Guarantee liabilities	<u>8,292</u>	<u>11,879</u>	<u>-</u>
	<u>\$ 1,453,101</u>	<u>\$ 645,404</u>	<u>\$ 495,811</u>

The amounts included above for floating interest rate non-derivative financial liabilities were subject to change if changes in floating interest rates differ from those estimates of interest rates determined at each balance sheet date.

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments settled on a net basis. When the amounts payable or receivable are not fixed, the amounts disclosed have been determined by reference to the projected interest rates as illustrated at each balance sheet date.

	On Demand or Less than 1 Months	1-3 Months	More than 3 Months
<u>December 31, 2021</u>			
Gross settled			
Foreign exchange forward contracts			
Inflows	\$ 55,496	\$ 92,434	\$ 15,821
Outflows	<u>(55,096)</u>	<u>(91,698)</u>	<u>(15,858)</u>
	<u>\$ 400</u>	<u>\$ 736</u>	<u>\$ (37)</u>
<u>December 31, 2020</u>			
Gross settled			
Foreign exchange forward contracts			
Inflows	\$ 27,993	\$ 54,673	\$ -
Outflows	<u>(28,224)</u>	<u>(54,590)</u>	<u>-</u>
	<u>\$ (231)</u>	<u>\$ 83</u>	<u>\$ -</u>

e. Transfers of financial assets

The Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the accounts payable to these suppliers. The information was as follows:

	December 31	
	2021	2020
Transferred but not derecognized (Note 1)	\$ 105,092	\$ 98,515
Transferred and derecognized (Note 2)	<u>22,954</u>	<u>20,171</u>
	<u>\$ 128,046</u>	<u>\$ 118,686</u>

Note 1: If the bills receivable are not paid upon maturity, the suppliers have the right to request the Group to pay the unsettled balance; however, the Group has not transferred the significant risks and rewards relating to these banker's acceptance bills, and the Group has continued to recognize these bills as collateral.

Note 2: The Group has transferred substantially all risks and rewards relating to the banker's acceptance bills; however, if the derecognized bills receivable are not paid upon maturity, the suppliers have the right to request the Group to pay the unsettled balance; however, the Group still has continuing involvement in these bills receivable. The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the carrying amounts of the transferred but unsettled bills receivable. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of derecognized bills receivable in its continuing involvement are not significant.

For the years ended December 31, 2021 and 2020, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the period or cumulatively.

29. TRANSACTIONS WITH RELATED PARTIES

Transactions, account balances, gains, and losses between and among entities in the Group were eliminated and therefore not disclosed in this note. Transactions between the Group and related parties are as follows:

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Hopax Culture and Arts Foundation (Hopax Foundation)	Related party in substance

b. Other transactions

The Company donated to Hopax Foundation \$1,500 thousand each in 2021 and 2020. The purpose of the foundation is to develop an innovative knowledge culture and promote the internationalization of humanities and science and technology.

c. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Short-term benefits	\$ 35,996	\$ 32,246
Post-employment benefits	1,281	1,225
Other long-term benefits	<u>55</u>	<u>81</u>
	<u>\$ 37,332</u>	<u>\$ 33,552</u>

Remuneration of directors and management is decided by the remuneration committee based on individual performance and market trends.

30. ASSETS PLEDGED AS COLLATERAL OR SECURITY

The following assets have been provided to financial institutions as collateral for the Group's financing, payments to suppliers, purchase performance guarantees and issuance of acceptance bills:

	Book Value	
	December 31	
	2021	2020
Financial assets at amortized cost - current	\$ 143,011	\$ 55,160
Notes receivable	197,138	183,113
Property, plant and equipment		
Land	320,072	320,159
Buildings	<u>268,640</u>	<u>284,832</u>
	<u>\$ 928,861</u>	<u>\$ 843,264</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unrecognized commitments were as follows:

	December 31	
	2021	2020
Purchase of property, plant and equipment	<u>\$ 125,756</u>	<u>\$ 74,025</u>

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousand)	Exchange Rate	Carrying Amount (in NTD Thousand)
December 31, 2021			
Financial assets			
Monetary items			
USD	\$ 19,957	27.68 (USD:NTD)	\$ 552,416
USD	1,942	13,980 (USD:IDR)	53,742
USD	11,290	6.3757 (USD:CNY)	312,509
USD	972	0.7421 (USD:GBP)	26,913
Financial liabilities			
Monetary items			
USD	17,508	27.68 (USD:NTD)	484,630
USD	2,392	13,980 (USD:IDR)	66,202
USD	9,071	6.3757 (USD:CNY)	251,095
USD	1,010	0.7421 (USD:GBP)	27,961
Derivative instruments			
USD	3,835	27.68 (USD:NTD)	106,153

(Continued)

	Foreign Currencies (In Thousand)	Exchange Rate		Carrying Amount (in NTD Thousand)
December 31, 2020				
Financial assets				
Monetary items				
USD	\$ 14,914	28.48	(USD:NTD)	\$ 424,767
USD	2,109	14,030	(USD:IDR)	60,061
USD	10,418	6.52	(USD:CNY)	296,697
USD	652	0.73	(USD:GBP)	18,561
Financial liabilities				
Monetary items				
USD	14,165	28.48	(USD:NTD)	403,413
USD	1,265	14,030	(USD:IDR)	36,019
USD	9,069	6.52	(USD:CNY)	258,301
USD	523	0.73	(USD:GBP)	14,890
Derivative instruments				
USD	2,005	28.48	(USD:NTD)	57,102
USD	553	6.52	(USD:CNY)	15,745
(Concluded)				

The following information is a summary presented by functional currencies, and the exchange rate for converting the functional currencies to the presentation currency. Foreign exchange gain/loss (realized and unrealized) with a significant impact are as follows:

Functional Currencies	Functional currency to presentation currency		Net exchange gain (loss)
For the Year Ended December 31, 2021			
NTD	1	(NTD:NTD)	\$ (11,322)
RMB	4.325	(RMB:NTD)	(3,798)
IDR	0.00198	(IDR:NTD)	1,091
GBP	38.56	(GBP:NTD)	(1,135)
USD	28.009	(USD:NTD)	<u>(59)</u>
			<u>\$ (15,223)</u>
For the Year Ended December 31, 2020			
NTD	1	(NTD:NTD)	\$ (3,055)
RMB	4.266	(RMB:NTD)	(8,904)
ODR	0.00205	(IDR:NTD)	185
GBP	37.94	(GBP:NTD)	(80)
USD	29.549	(USD:NTD)	<u>425</u>
			<u>\$ (11,429)</u>

33. ADDITIONAL DISCLOSURES

a. Information about significant transactions and b. investees:

- 1) Financing provided to others: Table 1.
- 2) Endorsement/guarantee provided: Table 2.
- 3) Marketable securities held: Table 3.
- 4) Marketable securities acquired or disposed of at cost or price of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
- 9) Trading in derivative instruments: Note 7.
- 10) Intercompany relationships and significant intercompany transactions: Table 6.
- 11) Information on investees: Table 7.

c. Information on investments in mainland China

Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8.

Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

- 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 9.
- 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 9.
- 3) The amount of property transactions and the amount of the resultant gains or losses: None.
- 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
- 5) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.

- 6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.
- c. Information of major stockholders: List all stockholders with ownership of 5% or greater showing the name of the stockholder, the number of shares owned, and percentage of ownership of each stockholder: None.

34. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the type of goods or services delivered or provided. The Group considered the processes and operating models in determining whether the department should be reported as specialty chemicals, fine chemicals, office stationery, and other department.

a. Segment revenues and results

	Specialty Chemicals Division	Fine Chemicals Division	Office Stationery Division (Stick'N)	Others	Adjustment and Elimination	Consolidated Amount
For the year ended December 31, 2021						
Revenue from external customers	\$ 1,464,472	\$ 2,205,668	\$ 957,380	\$ 101,483	\$ -	\$ 4,729,003
Inter-segment revenue	<u>387,654</u>	<u>381,552</u>	<u>780,665</u>	<u>4,456</u>	<u>(1,554,327)</u>	<u>-</u>
Segment revenue	<u>\$ 1,852,126</u>	<u>\$ 2,587,220</u>	<u>\$ 1,738,045</u>	<u>\$ 105,939</u>	<u>\$(1,554,327)</u>	<u>\$ 4,729,003</u>
Segment income (loss)	<u>\$ 98,816</u>	<u>\$ 537,352</u>	<u>\$ (51,118)</u>	<u>\$ 14,466</u>	<u>\$ 22,844</u>	<u>\$ 622,360</u>
Operating expenses						<u>(58,107)</u>
Operating income						<u>564,253</u>
Non-operating expenses						<u>(845)</u>
Income before income tax						<u>563,408</u>
Income tax						<u>(134,602)</u>
Net income						<u>\$ 428,806</u>
December 31, 2021						
Recognized segment assets	<u>\$ 2,238,909</u>	<u>\$ 2,579,144</u>	<u>\$ 1,496,880</u>	<u>\$ 174,447</u>	<u>\$ (522,242)</u>	<u>\$ 5,967,138</u>
General assets						<u>287,574</u>
Total assets						<u>\$ 6,254,712</u>
Recognized segment liabilities	<u>\$ 415,858</u>	<u>\$ 734,661</u>	<u>\$ 461,566</u>	<u>\$ 50,398</u>	<u>\$ (491,470)</u>	<u>\$ 1,171,013</u>
General liabilities						<u>1,940,784</u>
Total liabilities						<u>\$ 3,111,797</u>
Depreciation	<u>\$ 30,257</u>	<u>\$ 176,452</u>	<u>\$ 38,820</u>	<u>\$ 14,488</u>		
Amortization	<u>\$ 3,027</u>	<u>\$ 16,286</u>	<u>\$ 1,289</u>	<u>\$ 2,531</u>		
For the year ended December 31, 2020						
Revenue from external customers	\$ 1,284,870	\$ 1,364,785	\$ 840,812	\$ 98,234	\$ -	\$ 3,588,701
Inter - segment revenue	<u>378,141</u>	<u>283,861</u>	<u>612,296</u>	<u>5,995</u>	<u>(1,280,293)</u>	<u>-</u>
Segment revenue	<u>\$ 1,663,011</u>	<u>\$ 1,648,646</u>	<u>\$ 1,453,108</u>	<u>\$ 104,229</u>	<u>\$(1,280,293)</u>	<u>\$ 3,588,701</u>

(Continued)

	Specialty Chemicals Division	Fine Chemicals Division	Office Stationery Division (Stick'N)	Others	Adjustment and Elimination	Consolidated Amount
Segment income (loss)	<u>\$ 166,937</u>	<u>\$ 269,163</u>	<u>\$ (21,603)</u>	<u>\$ 13,320</u>	<u>\$ 16,133</u>	\$ 443,950
Operating expenses						(60,919)
Operating income						383,031
Non-operating expenses						(5,219)
Income before income tax						377,812
Income tax						(93,519)
Net income						<u>\$ 284,293</u>
December 31, 2020						
Recognized segment assets	<u>\$ 2,014,488</u>	<u>\$ 2,396,636</u>	<u>\$ 1,440,266</u>	<u>\$ 149,860</u>	<u>\$ (517,324)</u>	\$ 5,483,926
General assets						278,289
Total assets						<u>\$ 5,762,215</u>
Recognized segment liabilities	<u>\$ 337,039</u>	<u>\$ 706,250</u>	<u>\$ 374,151</u>	<u>\$ 49,105</u>	<u>\$ (477,545)</u>	\$ 989,000
General liabilities						1,893,299
Total liabilities						<u>\$ 2,882,299</u>
Depreciation	<u>\$ 32,749</u>	<u>\$ 150,508</u>	<u>\$ 37,141</u>	<u>\$ 14,569</u>		
Amortization	<u>\$ 2,008</u>	<u>\$ 6,221</u>	<u>\$ 727</u>	<u>\$ 1,416</u>		

(Concluded)

Segment revenue refers to the revenue of the segment, excluding the allocated management costs and remuneration of directors, interest income, rental income, grant income, disposition of property, plant and equipment gains and losses, disposition of investment gains and losses, net (profit) losses in foreign currency exchange, and evaluation of financial instruments profit and loss, financial costs, and income tax benefits (expenses). This measurement amount is provided to the chief operating decision maker to allocate resources to the department and measure its performance.

b. Information by region

The main operating regions of the Group include Taiwan, China, Indonesia, the United States and the United Kingdom.

The Group's revenue from external customers by location of customers and information about its noncurrent assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December	
	2021	2020	2021	2020
Taiwan	\$ 464,323	\$ 415,824	\$ 1,477,242	\$ 1,505,578
Asia	2,412,341	1,801,982	1,327,476	1,337,198
Europe	855,238	686,175	40	49
America	963,266	670,277	-	-
Others	<u>33,835</u>	<u>14,443</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,729,003</u>	<u>\$ 3,588,701</u>	<u>\$ 2,804,758</u>	<u>\$ 2,842,825</u>

Noncurrent assets exclude financial assets - noncurrent and deferred income tax assets.

c. Major customer information

In 2021 and 2020, there was no revenue from a single customer that exceeded 10% of the Group's total revenue.

TABLE 1

TAIWAN HOPAX CHEMICALS MFG. CO., LTD. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	Taiwan Hopax	Hopax Europe	Other receivables - related parties	Yes	\$ 13,536	\$ 12,528	\$ 12,528	0.8	Note 4	\$ -	Operating turnover	\$ -	-	\$ -	\$ 628,583 (Note 1)	\$ 1,257,166 (Note 1)	Note 5
1	Far Profits	Changshu Hopax	Other receivables - related parties	Yes	42,803	-	-	0.688-0.76	Note 4	-	Operating turnover	-	-	-	43,618 (Note 2)	87,236 (Note 2)	Note 5
1	Far Profits	Kunshan Hopax	Other receivables - related parties	Yes	51,102	-	-	0.83-0.86	Note 4	-	Operating turnover	-	-	-	43,618 (Note 2)	87,236 (Note 2)	Note 5
1	Far Profits	Hopax Europe	Other receivables - related parties	Yes	6,874	-	-	0.8	Note 4	-	Operating turnover	-	-	-	43,618 (Note 2)	87,236 (Note 2)	Note 5
2	Bio-medical	Taiwan Hopax	Other receivables - related parties	Yes	25,000	20,000	20,000	0.9	Note 4	-	Operating turnover	-	-	-	39,154 (Note 3)	39,154 (Note 3)	Note 5

Note 1: Under the Company's: Operational Procedures for Loaning Funds to Others", if short-term financing is needed, the individual financing shall not exceed 20% of the Company's stockholders' equity, and the total amount of these financings shall not exceed 40%of the Company's stockholders' equity.

Note 2: Under Far Profits's "Operational Procedures for Loaning Funds to Others", if short-term financing is needed, the individual financing shall not exceed 10 times of Far Profits's stockholders' equity, and the total amount of these financings shall not exceed 20 times of Far Profits's stockholders' equity and shall not exceed borrowing amount of Far Profit.

Note 3: Under Bio-medical "Operational Procedures for Loaning Funds to Others", if short-term financing is needed, the individual financing shall not exceed 40% of Bio-medical's stockholders' equity, and the total amount of these financings shall not exceed 40% of Bio-medical's stockholders' equity.

Note 4: It is necessary to have short-term financing.

Note 5: It was eliminated on consolidation.

TABLE 2

TAIWAN HOPAX CHEMICALS MFG. CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	The Company	Far Profits	100% owned subsidiary	\$ 1,571,458 (Note 1)	\$ 333,860	\$ 323,856	\$ -	\$ -	10.30	\$ 3,142,915 (Note 2)	Y	-	-	
0	The Company	Changshu Hopax	100% owned subsidiary	1,571,458 (Note 1)	545,990	450,560	124,560	-	14.34	3,142,915 (Note 2)	Y	-	Y	
0	The Company	Kunshan Hopax	100% owned subsidiary	1,571,458 (Note 1)	52,608	52,128	21,720	-	1.66	3,142,915 (Note 2)	Y	-	Y	

Note 1: Under the Company’s “Operational Procedures for Endorsement/Guarantee Provided”, for investee companies that hold more than 50% of the total shares of the Company and the subsidiaries, the total amount of these financings shall not exceed 50% of the Company’s stockholders’ equity.

Note 2: Under the Company’s “Operational Procedures for Endorsement/Guarantee Provided”, the total amount of endorsement/guarantee provided shall not exceed 100% of the Company’s stockholders’ equity.

TABLE 3

TAIWAN HOPAX CHEMICALS MFG. CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2021				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	<u>Stock</u>							
	Grand Cathay Venture Capital III Co., Ltd.	-	Financial assets at FVTOCI - non-current	30,306	\$ 27	1.39	\$ 27	Note
	Separator Design Co., Ltd.	-	Financial assets at FVTOCI - non-current	4,000	22,310	26.32	22,310	
Hopax Bio-medical Co., Ltd.	<u>Stock</u>							
	Thinking Electronic Industrial Co., Ltd.	-	Financial assets at FVTOCI - non-current	295,000	46,463	0.23	46,463	

Note: Since Separator Design Co. Ltd. is currently in the early stage of its business and continues to raise funds, the Company’s shareholding ratio is expected to decline after the completion of the fundraising, so it is classified as financial assets at FVTOCI.

TABLE 4**TAIWAN HOPAX CHEMICALS MFG. CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021**

(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	Kunshan Hopax	Subsidiary	Purchases	\$ 542,908	28	1 to 3 months	On the cost or a certain ratio of cost plus	Normal	\$ (157,515)	(40)	Note
The Company	Changshu Hopax	Subsidiary	Purchases	320,527	17	1 to 3 months	On the cost or a certain ratio of cost plus	Normal	(85,419)	(22)	Note
The Company	P.T. Hopax	Subsidiary	Purchases	169,864	9	1 to 3 months	On the cost or a certain ratio of cost plus	Normal	(30,193)	(8)	Note
The Company	Hopax Europe	Subsidiary	Sales	(172,571)	(6)	1 to 3 months	On the cost or a certain ratio of cost plus	Normal	73,595	10	Note

Note: It was eliminated on consolidation.

TAIWAN HOPAX CHEMICALS MFG. CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Kunshan Hopax	The Company	Parent Company	\$ 157,515	3.81	\$ -	-	\$ 107,010	\$ -

TABLE 6

TAIWAN HOPAX CHEMICALS MFG. CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

No. (Note1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	The Company	P.T. Hopax	1	Sale	\$ 72,753	Cost or Cost-plus	1.54
		P.T. Hopax	1	Purchase	169,864	Cost or Cost-plus	3.59
		P.T. Hopax	1	Accounts receivable	64,161	Credit period 1-3 Months	1.03
		P.T. Hopax	1	Other receivable	1,373	Credit period 1-3 Months	0.02
		P.T. Hopax	1	Accounts payable	30,193	Credit period 1-3 Months	0.48
		P.T. Hopax	1	Premium revenue	2,056	Sales multiplied by contract rate	0.04
		P.T. Hopax	1	Administrative revenue	3,153	Personnel costs plus	0.07
		Far Profits	1	Sale	5,455	Cost or Cost-plus	0.12
		Hopax Europe	1	Sale	172,571	Cost or Cost-plus	3.65
		Hopax Europe	1	Accounts receivable	73,595	Credit period 1-3 Months	1.18
		Hopax Europe	1	Other receivable	12,545	Annual Rate 0.8%	0.20
		Kunshan Hopax	1	Sale	58,764	Cost or Cost-plus	1.24
		Kunshan Hopax	1	Purchase	542,908	Cost or Cost-plus	11.48
		Kunshan Hopax	1	Accounts receivable	7,162	Credit period 1-3 Months	0.11
		Kunshan Hopax	1	Accounts payable	157,515	Credit period 1-3 Months	2.52
		Changshu Hopax	1	Sale	42,612	Cost or Cost-plus	0.9
		Changshu Hopax	1	Purchase	320,527	Cost or Cost-plus	6.78
		Changshu Hopax	1	Premium revenue	2,050	Sales multiplied by contract rate	0.04
		Changshu Hopax	1	Administrative revenue	6,275	Personnel costs plus	0.13
		Changshu Hopax	1	Accounts receivable	11,708	Credit period 1-3 Months	0.19
		Changshu Hopax	1	Accounts payable	85,419	Credit period 1-3 Months	1.36
		Bio-medical	1	Sale	12,998	Cost or Cost-plus	0.27
		Bio-medical	1	Accounts receivable	958	Credit period 1-3 Months	0.02
		Bio-medical	1	Rent revenue	1,063	Contract price	0.02
		Bio-medical	1	Other payable	20,038	Annual rate 0.9%	0.01
		Seecure	1	Rent revenue	2,400	Contract price	0.05
		Seecure	1	Deferred credit	12,000	Appraisal report	0.19
		Seecure	1	Other receivable	1,575	Credit period 1-3 Months	0.03
		Hopax International (Shanghai) Co., Ltd.	1	Sale	10,068	Cost or Cost-plus	0.21
		Hopax International (Shanghai) Co., Ltd.	1	Purchase	7,261	Cost or Cost-plus	0.15
		Hopax International (Shanghai) Co., Ltd.	1	Accounts receivable	1,107	Credit period 1-3 Months	0.02
1	Far Profits	P.T. Hopax	3	Sale	40,539	Cost or Cost-plus	0.86
2	P.T. Hopax	Changshu Hopax	3	Sale	5,977	Cost or Cost-plus	0.13
		Changshu Hopax	3	Accounts receivable	5,270	Credit period 1-3 Months	0.08
		Hopax International (Shanghai) Co., Ltd.	3	Purchase	5,035	Cost or Cost-plus	0.11
3	Hopax Europe	The Company	2	Commission revenue	3,671	Sales multiplied by contract rate	0.08

(Continued)

TABLE 7

TAIWAN HOPAX CHEMICALS MFG. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES (NOT INCLUDING INVESTMENT IN CHINA)

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Business and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Shares/Units	%	Carrying Amount			
The Company	P.T. Hopax	Indonesia	Manufacturing and sales of chemicals for papermaking	\$ 376,769 (USD13,200 thousand)	\$ 376,769 (USD13,200 thousand)	1,320,000	100	\$ 217,137	\$ 56,742	\$ 57,503	Note
The Company	Phoenix	British Virgin Islands	Investment	322,973 (USD9,700 thousand)	322,973 (USD9,700 thousand)	9,700,000	100	559,744	(2,248)	(744)	Note
The Company	Hopax Worldwide	Samoa	Investment	1,067,708 (USD35,000 thousand)	1,067,708 (USD35,000 thousand)	35,000,000	100	1,531,691	111,680	115,331	Note
The Company	Far Profits	British Virgin Islands	Sales of chemicals	33 (USD1)	33 (USD1)	1	100	4,362	609	3,366	Note
The Company	Hopax Europe	U.K.	Sales of office stationery	70,762 (GBP1,550 thousand)	70,762 (GBP1,550 thousand)	1,550,000	100	4,605	(8,947)	(8,947)	Note
The Company	Bio-medical	Taiwan	Production and sales of daily cleaning products	50,000	50,000	5,000,000	100	97,886	33,145	33,145	Note
The Company	Seecure	Taiwan	R&D and production of medical supplies and biotechnology	80,000	50,000	8,000,000	100	14,163	(26,152)	(26,152)	Note
				<u>\$ 1,968,212</u>	<u>\$ 1,938,212</u>			<u>\$2,429,588</u>		<u>\$ 173,502</u>	
Hopax Worldwide.	Hopax Holding	Cayman Islands	Investment	USD35,000 thousand	USD35,000 thousand	35,000,000	100	\$1,542,404	111,680	\$ 111,680	Note

Note: It was eliminated on consolidation

TABLE 8

TAIWAN HOPAX CHEMICALS MFG. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars; Unless Stated Otherwise)

Investee Company	Main Business and Product	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (Note 1)	Remittance of Fund		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021(Note 1)	Net Income of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Note 4)	Carrying Amount as of December 31, 2021	Note
					Outward	Inward						
Kunshan Hopax	Production, processing and sales of office stationery	\$ 257,424 (USD9,300 thousand)	Phoenix (Note 3)	\$ 257,424 (USD9,300 thousand)	\$ -	\$ -	\$ 257,424 (USD 9,300 thousand)	\$ (2,124)	100	\$ (2,124)	\$ 556,144	
Hopax International (Shanghai) Co., Ltd.	Sales of chemicals	33,216 (USD1,200 thousand)	Note 2	33,216 (USD1,200 thousand)	-	-	33,216 (USD 1,200 thousand)	3,574	100	3,373	27,740	
Changshu Hopax	Manufacturing and sales of chemicals for pharmaceutical, industrial and papermaking	968,800 (USD35,000 thousand)	Hopax Holding (Note 3)	968,800 (USD35,000 thousand)	-	-	968,800 (USD35,000 thousand)	111,680	100	111,680	1,542,381	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$1,259,440 (USD45,500 thousand)	\$1,259,440 (USD45,500 thousand)	Note 5

Note 1: The amount was converted at an exchange rate of \$27.68 to New Taiwan Dollars on December 31, 2021.

Note 2: Direct investment in mainland China.

Note 3: Set up companies in third-region and reinvested in mainland China companies.

Note 4: The investment gains and losses were recognized based on the audited financial statements.

Note 5: Under the “Principles Governing the Review of Investments or Technical Cooperation in Mainland China” issued by the Investment Commission on August 29, 2008, the Company is approved by the Industrial Development Bureau, Ministry of Economic Affairs to qualify as an operating headquarters enterprise, so it is not subject to the investment limit.

TABLE 9

TAIWAN HOPAX CHEMICALS MFG. CO., LTD. AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Counterparty	Transaction Type	Amount	Payment Terms	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss (Note)
					Amount	Comparison with Normal Transactions	Ending Balance	%	
The Company	Kunshan Hopax	Sale	\$ 58,764	T/T 90 Days	Similar to general terms and conditions	Similar to general terms and conditions	\$ 7,162	1	\$ (1,457)
		Purchase	542,908	T/T 90 Days	Similar to general terms and conditions	Similar to general terms and conditions	(157,515)	(40)	(2,492)
The Company	Changshu Hopax	Sale	42,612	T/T 90 Days	Similar to general terms and conditions	Similar to general terms and conditions	11,708	2	4,098
		Purchase	320,527	T/T 90 Days	Similar to general terms and conditions	Similar to general terms and conditions	(85,419)	(22)	4,091
The Company	Hopax International (Shanghai) Co., Ltd.	Sale	10,068	T/T 90 Days	Similar to general terms and conditions	Similar to general terms and conditions	1,107	-	624
		Purchase	7,261	T/T 90 Days	Similar to general terms and conditions	Similar to general terms and conditions	(440)	-	200
P.T. Hopax	Changshu Hopax	Sale	5,977	T/T 90 Days	Similar to general terms and conditions	Similar to general terms and conditions	5,270	2	-
	Hopax International (Shanghai) Co., Ltd.	Purchase	5,035	T/T 90 Days	Similar to general terms and conditions	Similar to general terms and conditions	(121)	-	-
Hopax Bio-medical Co., Ltd.	Hopax International (Shanghai) Co., Ltd.	Purchase	76	T/T 90 Days	Similar to general terms and conditions	Similar to general terms and conditions	-	-	-

Note : It was eliminated on consolidation.