

# 東聯化學

ORIENTAL UNION CHEMICAL CORPORATION



## 2021年報

## Annual Report

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**Overseas Securities Exchange and Relevant Info: N/A****Corporate Website**

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*The English version is the translation of the Chinese text and if there is any discrepancy between the English version and the Chinese text of this document, the Chinese text shall prevail.*

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# I. Letter to Shareholders

## I. Foreword

Looking back on 2021, the slowing down of the epidemic ensuing from the advent of the new coronavirus vaccine has gradually restored the economic activities and resulted in the global economic growth rate of 5.9%. With the transferred orders effect, the immigration of Taiwanese businessmen as well as the pouring of foreign investment conducive to the performance of Taiwan's exports and domestic demand, the annual economic growth rate reached 6.09%.

Under the ambiance of global economic recovery, combined with the continued adoption of quantitative easing policies of the main economies, the international oil prices were strongly supported. The annual output value of the domestic petrochemical industry reached NT\$1.8 trillion, with a growth rate over 40%, as the industrial prosperity rebounded and profits increased simultaneously.

With new EG production capacity launch and oil refining equipment shut down for maintenance, the EG price declined while raw material ethylene's skyrocketed, resulting in the evened profit and loss despite the shrinking product spread. Due to the implementation of high-value and green product strategies, the Specialty Chemicals and Gas Business Units have achieved significant results, with both revenue and profit hitting record highs.

In 2021, the consolidated revenue reached NT\$27.48 billion, an increase of 46% over the previous year, and the operating net profit totaled NT\$1.42 billion, of 5.2% net operating margin, turning losses into profits. The net profit after tax attributable to the company was NT\$900 million, with the earnings per share (EPS) of NT\$1.03, and the return on equity (ROE) 7.7%.

## II. Operating Performance Review

### Safety, Health, and Environment

Aiming at the green and sustainable development, the company practices circular economy and attaches great importance to issues such as industrial safety, health and environmental protection. In addition to striving to balance the development of chemical production and environmental protection, the company continuously improves process design and equipment investment to promote innovative circular economy solutions, with the green recycling production thinking as roots, homogeneous related waste for recycling, to reduce the impact on the environment.

In the process of production, the company strictly monitors climate-related indicators such as greenhouse gas emissions, energy and water consumption, and regards sustainable environmental development as the category of corporate risk management, and scientifically tracks the progress and results of energy conservation and carbon reduction to ensure that the corporate commitments to environment and society are duly fulfilled.



The overall performance of SHE in 2021, in respect to water resource efflux reduction, the company increased wastewater treatment volume and chemical oxygen demand (COD) degradation capability with the high-efficiency bioreactor (ABR) patented technology introduced; and, comprehensively improved the coal fired furnace and regenerative thermal oxidizer (RTO) systems with natural gas, and added high-efficiency exhaust heat recovery equipment for heat treatment and pollution control. Additionally, in order to meet the energy demand for the ensued mass production of the new specialty chemical plants, the ratio of heat to electricity is readjusted, and the construction of a high-efficiency and low-carbon cogeneration device is planned to achieve the company's goals in emission optimization, power saving and carbon reduction in regard to environmental protection.

### **EG Business**

As the global EG capacity expanded in 2021, the product prices remained weak. The raw material of ethylene, affected by the blizzards and hurricanes in the southern United States, as well as the abnormal operation of Asian naphtha crackers, has been tight in supply and high in costs. Not until the end of the year, when the Asian naphtha crackers resumed normal operation, coupled with the successful market launch of the new ethylene production capacity, has the price gradually dropped, improving the EG spread.

In 2021, the EG output across the strait totaled 640,000 tons, 660,000 tons were sold, both were equivalent to the volumes of 2020; the total output of ethylene oxide (EO) was 320,000 tons, an increase of 23% over 2020, sale of 190,000 tons, of 19% increase.

### **Gas Business**

The facts that China's dual control policy on energy consumption in 2021 triggered the withdrawal of Taiwanese factories in China to return for investment, while Taiwan's well-controlled epidemic kept the integrity of the industrial supply chain, have contributed to the growth of various export orders against the trend, driving domestic gas demand. On the other hand, China's manufacturing industry declined remarkably due to the Sino-US trade policy and the domestic epidemic. With the non-compliant enterprises of small and medium scales encountered production suspension, resulted from the increasingly strict environmental protection supervision, the gas demand declined synchronously.

In response to the growth trend of gas market demand, the company continued its independent sales advantages of pipeline gas in Linyuan Industrial Park, combined its liquid gas as the strategy to expand customers of multiple industries. The annual revenue and profit of the gas business continued to grow and reached a record high.

In 2021, the oxygen on both sides of the strait totaled 620,000 tons, aside from its own use, 80,000 tons were sold, which is equivalent compared with 2020; while the total nitrogen produced was 470,000 tons, with 430,000 tons sold, of 8% increase.

### **Specialty Chemicals Business**

In order to implement the innovative transformation of the new era, new process and new application, the company focuses on the research and development of ethylene oxide derivatives (EOD) products, and has

launched various high-valued products such as functional lotions, emulsifiers, defoamers, concrete admixtures, synthetic resin of water-based and weather-resistant coating applications, as well as composite materials to enrich product lines and enhance profitability.

Among the product series, the price of ethanolamine (EA) has been arising due to the tight supply in the Middle East, European and American markets. Through optimizing the product distribution for steady supply, the company was able to take full use of the profitable opportunities to meet the major domestic and foreign customers' requirements; the differential product ethylene glycol butyl ether (EB) had equivalent performance in the market; ethylene carbonate (EC) achieved a new high in sales due to the strategic development in new niche markets in parallel with the high demand for downstream PC plastics and lithium batteries.

In sum, the company's Specialty Chemicals business hit record highs both in revenue and profit in 2021. The total annual production of specialty chemicals across the strait was 210,000 tons, an increase of 40% over 2020; sale of 210,000 tons, of 31% increase.

### **III. 2022 Business Goals and Future Prospects**

#### **Overview of 2022 Business Plans**

##### **1. EG Business**

Looking forward to 2022, with the successive commissioning of multiple crackers in China and the United States, the unit price of raw material ethylene is expected to remain low; with the slowdown of the global epidemic, and the gradually recovering demand of downstream polyester industry, EG price is expected to be stabilized.

The EG plants of the company from the both sides use high-efficiency catalysts for operation, and implement a thermal integration system to reduce process energy consumption. More, with its coastal ethylene storage tank to enhance operative flexibility, the company shall maintain optimal operation of the plant, reduce manufacturing costs, and improve product competitiveness.

##### **2. Gas Business**

Under the circumstances of economic recovery and the weakening of the epidemic impact in 2022, Taiwan's economic growth is expected to sustain, the annual growth of gas market demand of 2022 shall be an outstretched upward trend of 2021.

By way of cementing existing pipeline and liquid gas customers, the company's gas business operation focuses on niche products, customers of new applications, and employing market segmentation strategies to improve overall profitability. In line with the completion of the mass production of the semiconductor-grade CO<sub>2</sub>, the green energy product, the company may further develop its customers in semiconductor and electronics industries to increase products' added value, with the vantage of its CO<sub>2</sub> purification technology.



### 3. Specialty Chemicals Business

Solvent and Amine Chemicals adopt a diversified product sales strategies to reduce the impact of changes in supply and demand of the domestic and foreign markets. The aforementioned strategies include 1) the ethanolamine (EA) product line prioritized to secure stable sales channels and customers, with sales volume of the new electronics-grade customers planned expanding to maintain its domestic leading edge; 2) the ethylenediamine (EDA) product launch at Q3 as an advantage in view of its exclusive production domestically; 3) the ethylene glycol butyl ether (EB) product line aiming to increase its domestic market share and expand export customers to achieve its economic scale model for production and sale; 4) the further launch of ethylene carbonate (EC) products, based on the original polycarbonate (PC) market, into the super absorbent polymer (SAP), oil formulations and lithium battery markets, advancing the domain of high value-added applications.

On the basis of the stable sales of functional zinc oxide antibacterial detergent and fabric shield laundry lotion, Surfactants and Performance Chemicals adhere to the goals of environmental protection and carbon reduction, use plastic recycled by its own independent technology as raw material to develop new surfactants, and launch a number of new products such as functional papermaking auxiliaries, defoaming agents for resin/rubber industry, printing ink dispersants, etc., strengthening green conceptual products as well as guiding customers towards environmental protection and sustainable operation.

Construction Chemicals focus on the development of differential chemicals for concrete, improving the construction quality and efficiency by enhancing the durability of the advanced concrete, and enlarging sales and profits by increasing products' added value. Moreover, considering the recovery of the global construction industry, the company shall aim at targeting markets to expand the export proportion.

Fine Chemicals will feature the development of reactive grade polyols and polyetheramine (PEA) products, highlighting the integration of synthetic resin solutions, in hopes of extending the customers according to product demand. As the green energy product PEA joins at Q3, the company's market domain in the light-weighted epoxy resin hardener for wind blades shall stand out.

On the whole, in 2022, with the application and development advantages of both ethylene oxide (EO) and propylene oxide (PO), the company is expected to arrive at the thriving phase of the innovative product series of specialty chemicals, and the revenue and profit generated from both niche and new functional products will be further improved.

### **Prospects for Future Operations**

In the midst of the changes in the epidemic evolution, oil prices fluctuations, economic status quo, inflation trends and geopolitics, the company is positioned at a turning point of production transformation and business innovation; the management team is committed to green sustainability, environmental protection, social responsibility, and corporate governance, and strive to accelerate the pace of continuous improvement and innovation in R&D, cost, production and sales.



In view of its business strategy, the company will increase the production ratio of high-margin specialty chemicals yearly, continue to deploy in the domains of solvents, daily chemicals, construction materials and fine chemical applications, and adopt a value-oriented commercial model to integrate business, production, research and development. The sales team will serve customers with differential high-quality products to meet market demands. The gas business will further enhance the product value by expanding its product sales in food and electronic grades.

With the launch of new products polyetheramine (PEA), ethylenediamine (EDA), semiconductor grade CO<sub>2</sub>, and the completion of mass production of new specialty chemical plants, the company's ready and independent EO technology will be extended to PO application to establish high value-added derivative products. To fulfill the market demand, the company will also grasp the opportunity to embark on the key material domain of amine derivatives for its own technology development in amine applications. At the same time, the total solutions in respect to the domains of specialty chemicals and materials such as battery materials, electronic chemicals, high-purity gases and special application materials will be provided. In addition, the research and development of green products such as CO<sub>2</sub> chemicals of low-carbon technique, plastic recycling and biodegradability will be the promising development of future mainstream and trend.

For future perspective, the company will adhere to its transformation through research and development, implement circular economy, energy transformation and low-carbon production, targeting 20% carbon reduction and carbon neutrality respectively by 2030 and 2050; and, continue as a world-class diversified management company with specialty chemicals as its core, pursuing profit and growth based on robust operation and the industrial trend, and constantly creating new value for shareholders, customers and employees.

Chairman of the Board

徐旭東 



## II. Company Profile

**1. Date of incorporation:** December 22, 1975

### 2. Company history

- In 1975 ● Registration and incorporation of the Company was approved, with the shareholders including Central Investment Holding Co, Executive Yuan Development Fund, the Far Eastern Textile Corporation (now known as Far Eastern New Century), Union Carbide Corporation, USA, and the China Development Corporation; the capital was NTD\$569,250,000.
- In 1978 ● Construction of the EG plant was completed.
- In 1982 ● The Union Carbide Corporation, USA withdrew from the Company, and the Union Industrial GAS Company co-invested together with Central Investment Holding Co and CPC was consolidated into the Company; capital increased to NTD\$1,493,658,000.
- In 1986 ● Office premises at Fu-Hsing N Road, Taipei City were purchased and Head Office was relocated to the premises.
- In 1987 ● The Company was publicly listed on the Taiwan Stock Exchange on October 21.
- In 1988 ● Land was purchased in the Chienchen District, Kaohsiung City occupying an area of about 5.704 acres at the price of about NT\$1 billion.
- In 1992 ● An EG waste water treatment plant that meets the national standards for discharge of waste water was completed.
- In 1993 ● Addition of the 2nd gas plant increased the output of gas products.
- In 1995 ● About 9% of the equity of ICI Far Eastern Co Ltd (now OPTC) was acquired.
- In 1997 ● The second LPG plant was added to increase the output of liquid nitrogen and liquid oxygen by a total of 73,000 tons each year.
- In 1998 ● May: Reinvestment was made to establish the Tong Fu Investment Corporation, a subsidiary wholly owned by OUCC.  
● The Company's Linyuan Plant was certified under ISO-14001 (environmental protection management), and hit the unprecedented record for zero labor safety incidents for 2 million man-hours consecutively.  
● December: Issue of the first secured common corporate bonds in the amount of NT\$800 million, valid for 5 years.
- In 1999 ● January: A branch office was established in the Kaohsiung Nantz Export Zone, and an on-site gas factory was built to expand the gas operation.  
● February: Completed the debottlenecking of EO/EG to increase the output of EO and EG by about 70,000 tons and 40,000 tons per year.
- In 2000 ● September: Implemented the SAP Enterprise Resource Planning (ERP) System.  
● December: Treasury stock, totaling 5,213 thousand shares was repurchased for the first time to maintain goodwill and shareholder equity.
- In 2001 ● April: Completed cancellation of the treasury stock repurchased for the first time.

- April: Repurchased treasury stock, totaling 9,995 thousand shares, for the second time, and completed the cancellation in September.
  - September: Repurchased treasury stock, totaling 7,349 thousand shares, for the third time to transfer shares to the employees.
- In 2002
- July: Completed the EA factory dedicated to producing MEA, DEA and TEA, with an annual output of 40,000 tons, to become the factory with the largest output in Asia.
  - July: The Company's Linyuan factory was certified under ISO-9001 (quality management).
  - September: The Company's Linyuan factory was certified under OHSAS-18001 (occupational safety & health management).
  - November: Completed the EC factory dedicated to the production of EC with an annual output of 40,000 tons. It became the EC factory with the largest output in the world and supplies raw materials to the Chi Mei ASAHI CORPORATION, a joint venture of Chi Mei Corporation and the Asahi Kasei Corporation (consolidated to form the Chi Mei Corporation on April 1, 2009) dedicated to producing PC.
- In 2003
- February and December: With approval of the Investment Commission, MOEA, Bermuda-based PET Far Eastern (Holding) Ltd. (PETH) and Virgin Islands-based Pacific Petrochemical (Holding) Ltd. (PPL) reinvested in the Oriental Petrochemical (Shanghai) Corporation. The company was engaged in the production and marketing of PTA. The Company acquired about 39% of the equity.
- In 2004
- August: Completed the transfer of Company shares, repurchased for the third time, to employees.
  - November: The Company won the most honorable award for the industry in Taiwan, the "Sustainable Industry Excellence Award", as a symbol of sustainable development by the enterprise.
- In 2005
- February: Issue of common stock totaling 60,000,000 shares at NT\$28 per share by a capital increase in cash, which raised the fund to a total of NT\$1,680,000,000.
  - August: Completed the multi-functional pilot plant designed and configured independently by the Company as a base for the development of new technology for OUCC products. As well as for the basic design of production processes and test runs of new products.
- In 2006
- January: Acquired 20% of the equity of the Kuokuang Petrochemical Technology Company. The company schedules production of various gasoline and chemical products made from crude oil or natural gas.
- In 2008
- January: Completed the second EA factory with an annual output of 40,000 tons, dedicated to the production of MEA, DEA and TEA.
  - January: Completed debottlenecking EC to increase output by about 20,000 tons per year.
  - October: With the approval of the Investment Commission, MOEA, OUCC (Bermuda) Holding Ltd reinvested in the incorporation of Oriental Petrochemical (Yangzhou) Corporation. The company was primarily engaged in the production and marketing of ethanolamine, EC, AEO, PEG and MPEG.

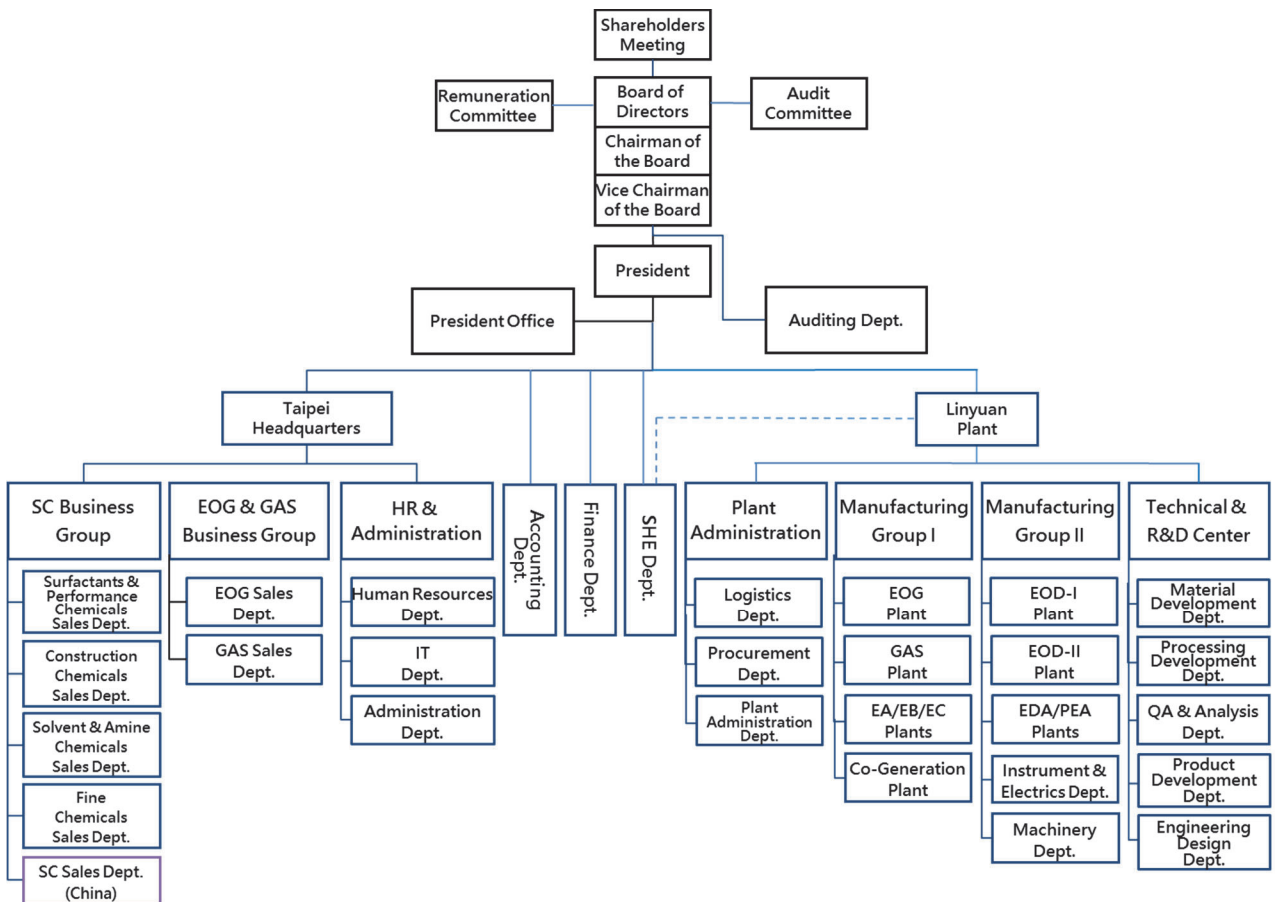


- In 2009
  - December: Received the “National Industrial Park Safe Partner Excellence Award – Excellent Business Unit 2009” by the Council of Labor Affairs, Executive Yuan.
- In 2010
  - February: Subscribed for PPL shares from Yuan Ding Investment Co and Core Pacific Capital Ltd, and sold PETH shares to Far Eastern New Century Corp, and held 100% of the shares of PPL, and 39% of Oriental Petrochemical (Shanghai) Corporation indirectly.
- In 2011
  - April: Completed the Oriental Petrochemical (Yangzhou) Corporation EA factory which has an annual output of 40,000 tons.
  - December: Completed the EOD factory, at the Linyuan Factory premises, which has an annual output of 40,000 tons.
- In 2012
  - July: Completed the Oriental Petrochemical (Yangzhou) Corporation EOD factory which has an annual output of 60,000 tons.
  - September and December: With the approval of the Investment Commission, MOEA, Pacific Petrochemical (Holding) Ltd (PPL) reinvested in the Far Eastern Union Petrochemical (Yangzhou) Corporation. The company was primarily engaged in production and marketing of EO/EG. The Company held 50% of its shares indirectly.
- In 2013
  - December: Revoked company registration of the Nantz branch office.
- In 2014
  - February: With the approval of the Investment Commission, MOEA, Pacific Petrochemical (Holding) Ltd. (PPL) reinvested in the Tong Da Gas Industries (Yangzhou) Ltd. The company was primarily engaged in the construction of a cryogenic ethylene tank and an Air Separation Unit (ASU).The Company held 50% of its shares indirectly.
- In 2015
  - February: Completed re-bottlenecking projects of EO & EG, with respective output of 360,000 tons and 300,000 tons.
  - December: Completed gas plant of Tong Da Gas Industries (Yangzhou) Ltd, with annual output of 800,000 tons.
- In 2016
  - June: Completed the gas plant at Linyuan, with annual output of 340,000 tons.
  - June: Commercial launch of the EO and EG plants of the Far Eastern Union Petrochemical (Yangzhou) Corporation, with respective annual output of 400,000 tons and 500,000 tons.
  - December: Completed the 3rd CO2 plant at Linyuan, with annual output of 40,000 tons.
- In 2017
  - December: Completed the renovation of the 1st EA plant into EB plant at Linyuan, with annual output of 20,000 tons.
- In 2018
  - February: Completed the technical renovation of the EOD plant of Oriental Petrochemical (Yangzhou) Corporation, expanding EOD annual output to 66,000 tons.
- In 2019
  - March: Far Eastern Union Petrochemical (Yangzhou) Corporation received the 2nd Jiangsu Province Zifeng Award
  - November: OUCC was rewarded 2019 the 12<sup>th</sup> Taiwan Corporate Sustainability Award
- In 2020
  - September: OUCC was rewarded 2020 SGS CSR Award
  - December: FUPY became the sustaining corporate body upon the consolidation completion of FUPY, TDIY and OPYC in Yangzhou, China.
- In 2021
  - November: OUCC Linyuan plant was awarded 2021 Excellent Manufacturer in GHG Reduction by the Industrial Development Bureau of Department of Economic Affairs.

### III. Corporate Governance Report

#### 1. Organization

##### 1.1 Organizational Chart



## 1.2 Functions & Operations

Department	Functions & Operations
President Office	The President's staff unit.
HR & Administration	<ol style="list-style-type: none"> <li>1. Management of human resources related affairs.</li> <li>2. Management of IT system related affairs.</li> <li>3. Management of general related affairs.</li> </ol>
EOG & GAS Business Group	<ol style="list-style-type: none"> <li>1. Sale of EO and EG products and procurement of major raw materials.</li> <li>2. Sale of gas products</li> </ol>
SC Business Group	<ol style="list-style-type: none"> <li>1. Sale of EOD and other specialty chemicals</li> <li>2. Sale of EA, EC, and EB products</li> <li>3. Sale of specialty chemicals abroad and channel establishment</li> <li>4. Sale &amp; development of specialty chemicals in China</li> <li>5. Technical support of specialty chemicals, new application development and new product specification formulation</li> </ol>
Plant Administration	<ol style="list-style-type: none"> <li>1. Plant HR related affairs</li> <li>2. Plant administration, logistics and transportation related affairs</li> <li>3. Procurement of raw materials and supplies, awarding of contracts, and the related</li> </ol>
Manufacturing Group I	<ol style="list-style-type: none"> <li>1. Production of MEG, DEG, EO, etc.</li> <li>2. Production of Gas products (oxygen, nitrogen, argon, etc.)</li> <li>3. Production of the EA, EB, EC, LCO<sub>2</sub>, etc.</li> <li>4. Assessment and planning of the cogeneration system</li> </ol>
Manufacturing Group II	<ol style="list-style-type: none"> <li>1. Production of the specialty chemical of EOD</li> <li>2. Production of specialty chemical of concrete water reducer, esterification, etc.</li> <li>3. Production of the specialty chemicals of ethylenediamine, polyetheramine series</li> <li>4. Maintenance and engineering of instruments, electrics &amp; mechanics, etc.</li> <li>5. Maintenance and engineering of machinery, facility, internal and external pipelines, etc.</li> </ol>
S.H.E. Dept.	Environmental protection, labor safety and other safety-related matters
Technical and R&D Center	<ol style="list-style-type: none"> <li>1. Project execution, production process improvement &amp; evaluation, and engineering related matters</li> <li>2. R&amp;D of EOD materials and new products, etc.</li> <li>3. Process development and technical support, etc.</li> <li>4. Analysis, testing and quality assurance, etc.</li> <li>5. Mass production tests and the related</li> </ol>
Finance Dept.	Insurance, shareholders' service, credit investigation and financial management and the related
Accounting Dept.	Taxation, budgeting, accounting management and the related
Auditing Dept.	Internal audit

2. Information on the Company's Directors, President, Vice Presidents, Assistant Vice Presidents, and heads of all company divisions and branch units:

2.1 Directors

2.1.1 Directors Information

April 11, 2022

Job title	Nationality or residence registered	Name	Gender / Age	Date on which current position was assumed	Term of office	Comment date of the first term	Shares held when appointed		Shares held currently		Shares held by spouse and minor children		Shares held in another person's name		Work experience (academic degree)	Position(s) held concurrently in the company and/or in any other company	Other heads, directors, or supervisors as spouse or kinship of second degree			
							Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion			Job title	Name	Relationship	
Chairman of the Board	R.O.C.	Douglas T. Hsu	M / Age over 70	2021.7.15	3 years	1979.2.10	1,664,781	0.19%	1,664,781	0.19%	0	0.00%	0	0.00%	Honorable PhD in Management, NCTU; Master of Arts in Univ. of Notre Dame, and post graduate of Economics in Columbia Univ., USA	Chairman of Far Eastern New Century Corp., Asia Cement Corp, U-Ming Marine Transport Corp, Far Eastern Department Stores, and Fernet, and Vice Chairman of Far Eastern International Bank	Vice Chairman of Board	Johnny Shih	A relative by marriage within second degree	
Vice Chairman of the Board	R.O.C.	Representative of Far Eastern New Century Corp: Johnny Shih	M / Age over 70	2021.7.15	3 years	1988.5.18	81,217,005	9.16%	81,217,005	9.16%	0	0.00%	0	0.00%	Master in Computer Science, Columbia University, USA	Chairman of Far Eastern New Century, Chairman of Everest Textile Co. Ltd., Director of Asia Cement Corp., and CTCI Corp.	Chairman of Board	Douglas T Hsu	A relative by marriage within second degree	
Director	R.O.C.	Representative of Far Eastern New Century Corp: Humphrey Cheng	M / Age 60-69	2021.7.15	3 years	1991.5.30	81,217,005	9.16%	81,217,005	9.16%	0	0.00%	0	0.00%	Master in International Business, National Taiwan University	President of Administration HQ of Far Eastern New Century, Director of Far Eastern International Bank, and Chairman & President of Tong Fu Investment Corporation	N/A	N/A	N/A	N/A
Director	R.O.C.	Representative of Far Eastern New Century Corp: Kao-Shan Wu	M / Age 60-69	2021.7.15	3 years	2009.6.3	81,217,005	9.16%	81,217,005	9.16%	0	0.00%	0	0.00%	Bachelor in Chemistry, Chinese Culture University	President of Petrochemical HQ of Far Eastern New Century Corp., Director of Everest Textile Co. Ltd. and Oriental Petrochemical Corporation	N/A	N/A	N/A	N/A
Director	R.O.C.	Representative of Yue Ming Trading Co Ltd: Justin Tsi	M / Age 60-69	2021.7.15	3 years	2014.7.1	440,000	0.05%	440,000	0.05%	0	0.00%	0	0.00%	EMBA, National Chengchi University, Bachelor in Chemical Engineering, Tunghai University	Director of Far Eastern Union Petrochemical (Yangzhou) Ltd, and Feng Tay Enterprises Co. Ltd.	N/A	N/A	N/A	N/A

Job title	Nationality or residence registered	Name	Gender / Age	Date on which current position was assumed	Term of office	Commencement date of the first term	Shares held when appointed		Shares held currently		Shares held by spouse and minor children		Shares held in another person's name		Work experience (academic degree)	Position(s) held concurrently in the company and/or in any other company	Other heads, directors, or supervisors as spouse or kinship of second degree	
							Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion			Job title	Name
Director	R.O.C.	Representative of Fu Da Transport Corporation: Eric Chueh	M / Age 60-69	2021.7.15	3 years	2012.6.5	3,254,125	0.36%	3,254,125	0.36%	0	0.00%	0	0.00%	EMBA, National Chengchi University	President of Oriental Petrochemical Corporation, COO of PTA Business Unit of Far Eastern New Century Petrochemical HQ	N/A	N/A
Director	R.O.C.	Representative of Da Chu Chemical Fiber Co. Ltd.: James Chou	M / Age 60-69	2021.7.15	3 years	2021.7.15	1,000,000	0.11%	1,000,000	0.11%	17,000	0.00%	0	0.00%	Bachelor in Chemical Engineering, National Taiwan University	Chairman of Oriental Petrochemical (Shanghai) Corp., Far Eastern Industries (Shanghai) Ltd., Director of Oriental Petrochemical (Taiwan) Co. Ltd., Director & President of Far Eastern Union Petrochemical (Yangzhou) Ltd.	N/A	N/A
Director	R.O.C.	Representative of Yu Li Investment Corporation: Bing Shen	M / Age over 70	2021.7.15	3 years	2021.7.15	4,861,781	0.55%	4,861,781	0.55%	0	0.00%	0	0.00%	Bachelor in Public & Int'l Affairs, Master of Princeton Univ., Harvard Business School, USA	Director of Elite Material Co., Ltd.	N/A	N/A
Independent Director	R.O.C.	Walt Cheng	M / Age 60-69	2021.7.15	3 years	2015.6.9	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor in Chemical Engineering, National Cheng Kung University	President of Axolar Technology Corp. Supervisor of Sunny Pharmtech Inc.	N/A	N/A
Independent Director	R.O.C.	C. T. Chan	M / Age over 70	2021.7.15	3 years	2015.6.9	0	0.00%	0	0.00%	0	0.00%	0	0.00%	High school graduated	Chairman of Yi Jim Industrial Co. Ltd., Yi Tong Fiber Co. Ltd., Kwang Ming Silk Mill Co. Ltd., Hong Chou Fiber Industrial Co. Ltd.	N/A	N/A
Independent Director	R.O.C.	Ping Lih	F / Age over 70	2021.7.15	3 years	2018.6.8	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master in Accounting, Texas University, USA	Director of T N Soong Foundation	N/A	N/A



2.1.2 Major shareholders of corporate shareholders

April 11, 2022

Name of corporate shareholders	Major corporate shareholders (shareholding %)
Far Eastern New Century Corporation	Asia Cement Corp (24%), Oriental Institute of Technology (5%), Far Eastern Medical Foundation (4%), Far Eastern Y Z Hsu Science and Technology Memorial Foundation (3%), Yuan Ze University (3%), Nan Shan Life Insurance Co Ltd (2%), Douglas Tong Hsu (2%), Chunghwa Post Co Ltd (2%), Der Ching Investment Corp (2%), Cathay MSCI Taiwan ESG Sustainability High Yield ETF Account (1%)
Yue Ming Trading Co Ltd	Pai Ding Investment Co Ltd (47%), Yuan Ding Investment Co Ltd (45.5%), Yue Ding Industries Co Ltd (5%), Ding Ding Business Consultation Co Ltd (1%), Yuan Ding Co Ltd (1%), Yuan Ding Lease Co Ltd (0.5%)
Yu Li Investment Co Ltd	U-Ming Marine Transport Corp (68%), U-Ming Marine Transport (Singapore) Pte Ltd (32%)
Fu Da Transport Corporation	Fu Ming Transport Corp (99.94%), Asia Investment Corp (0.03%)
Da Chu Chemical Fiber Co Ltd	Yuan Ding Investment Co Ltd (42%), Yue Ding Industries Co Ltd (39%), Yi Li Investment Co Ltd (19%)

2.1.3 Major shareholders who are corporations

April 11, 2022

Name of corporation	Major corporate shareholders (shareholding %)
Asia Cement Corporation	Far Eastern New Century Corp (22%), Far Eastern Medical Foundation (5%), Yuanta/P shares Taiwan Dividend Plus ETF Trust Account (4%), China Life Insurance Co Ltd (2%), International Commercial Bank of China (2%), Labor Pension Committee of Far Eastern New Century Corp (2%), Yuan Ding Investment Co Ltd (2%), Far Eastern Department Stores (1%), Yuan Ze University (1%), Far Eastern Y Z Hsu Science and Technology Memorial Foundation (1%)
Nan Shan Life Insurance Co Ltd	Ruen Chen Investment Holding (90%), Ruenhwa Dyeing & Weaving Co Ltd (1%), Du Ying-Tsung (1%), Ruentex Hsin Co Ltd (1%), Ruentex Development Co Ltd (0.23%), Ruentex Industries Ltd (0.21%), Yuan Hsin Investment Co Ltd (0.16%), Ruentex Lease Co Ltd (0.13%), Jin Ping Investment Co Ltd (0.11%), Actron Technology Corporation (0.09%)
Chunghwa Post Co Ltd	Ministry of Transportation and Communications (100%)
Der Ching Investment Corporation	Asia Cement Corporation (99.99%), Asia Investment Corp (0.01%)
Pai Ding Investment Co Ltd	Far Eastern Department Stores (67%), Pai Yang Investment Co Ltd (33%)
Yuan Ding Investment Co Ltd	Far Eastern New Century Corp (99.4%), An He Apparel Co Ltd (0.3%), Da Chu Chemical Fiber Co Ltd (0.3%)

Name of corporation	Major corporate shareholders (shareholding %)
Yue Ding Industries Co Ltd	Fu Da Transport Corp (27%), Yue Tung Investment Co Ltd (25%), An He Apparel Co Ltd (16%), Ding Yuan International Co Ltd (13%), Tong Fu Investment Corporation (5%), Ya Li Precast Pre-stressed Concrete Industries Corp (4%), Da Chu Chemical Fiber Co Ltd (4%), Yuan Ding Investment Co Ltd (3%), Pai Ding Investment Co Ltd (2%), Yue Ming Trading Co Ltd (1%)
Ding Ding Business Consultation Co Ltd	Yue Tung Investment Co Ltd (40%), Da Chu Chemical Fiber Co Ltd (34%), Fu Da Transport Corp (16%), Asia Engineering Enterprise Co Ltd (5%), Pai Ding Investment Co Ltd (5%)
Yuan Ding Co Ltd	Far Eastern New Century Corp (37%), Asia Cement Corp (35%), Der Ching Investment Corp (15%), Yuan Ding Investment Co Ltd (13%), Yue Ming Trading Co Ltd (0.002%), Far Eastern Department Store (0.001%)
Yuan Ding Lease Co Ltd	Yuan Ding Investment Co Ltd (46%), Asia Cement Corp (44%), Far Eastern Department Stores (9%), Yue Yuan Investment Co Ltd (1%)
U-Ming Marine Transport Corp	Asia Cement Corp (39%), Polaris Taiwan Dividend ETF Account (4%), Yuan Ding Investment Co Ltd (1%), Yue Yuan Investment Co Ltd (1%), Asia Investment Corp (1%), JPMorgan Chase Bank Taipei Branch entrusted with the Vanguard Group (1%), Ya Li Transportation Corp (1%), Investment Account of Standard Chartered International Commercial Bank Business Department entrusted with custody of ABS Direct Equity Fund Co Ltd (1%), Ding Shen Investment Co Ltd (1%), JPMorgan Chase Bank Taipei Branch entrusted with the custody of Advanced Starlight Fund Series (1%)
U-Ming Marine Transport (Singapore) Pte Ltd	U-Ming Marine Transport Corp (100%)
Fu Ming Transport Corporation	Asia Cement Corp (99.8%), Asia Investment Corp (0.02%)
Asia Investment Corporation	Asia Cement Corporation (100%)

2.1.4 Information of the Directors

(1) Disclosure of Directors' professional qualifications and Independent Directors' independence

Requirement Name	Professional qualifications & experiences	Independence	Concurrently serving as an Independent Director of another listed company	
Douglas T. Hsu Chairman of the Board	Please refer to p11-p12 "Directors Information" for professional qualifications and experiences of Directors.  No Director is under any of the categories stated in Article 30 of the Company Act.	Not applicable	0	
Johnny Shih Vice Chairman of the Board			0	
Humphrey Cheng Director			0	
Kao-Shan Wu Director			0	
Justin Tsai Director			0	
Eric Chueh Director			0	
James Chou Director			0	
Bing Shen Director			1	
Walt Cheng Independent Director			All the Independent Directors are fully complied with the following: (1) All the relevant stipulations pursuant to Article 14-2 of Securities & Exchange Act and Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies of Financial Supervisory Commission. (2) Not an Independent Director (or in others name), spouse or underage child hold stock of the company. (3) Provided no business, legal, financial and accounting services to the company or its affiliates and rewarded with remuneration in the last two years.	0
C. T. Chan Independent Director				0
Ping Lih Independent Director	0			

(2) Board of Directors' diversity and independence:

① Board diversity

The current Board of Directors of the Company consists of 11 Directors, including 3 Independent Directors, one of which is a female; 9 of the Board members have experiences in the petrochemical industry, and 2 have experiences in other industries, all with seasoned experiences and professional background in chemical engineering operation, law, accounting, finance and other fields to achieve the diversification goals stipulated in the Corporate Governance Code. Each Board member understands and agrees with the company's business philosophy, grasps the industry situation in which the company operates, and has rich experience in international political and economic situations, legal compliance, international business management and manufacturing management. In response to the ever-changing international competitive management environment and the continuous updating of laws and regulations (such as corporate governance), the company's goals include adopting a nomination system for the nomination and selection of Board members, evaluating the academic and career experiences of each member, and complying with the "Procedures for Board of Director Election" and the "Corporate Governance Principles" to ensure diversity, independence and the integrity of stakeholders opinions are taken into account, and exclusive courses are planned for Board members to have the ability to keep pace with the times.

② Board independence

The ratio of Independent Directors (3 persons) to the total Board of Directors (11 persons) is over one fourth of the Board.

**2.2 Information on the Company President, Vice Presidents, Assistant Vice Presidents, and heads of all the Company divisions and branch units:**  
April 11, 2022

Job title	Nation-ality	Name	Gender	Date on which current position was assumed	Shares held when appointed		Shares held by spouse and minor children		Shares held in another person's name		Work experience (academic degree)	Position(s) held concurrently in the Company and/or in any other company	Managers as spouse or kinship of second degree		
					Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion			Job title	Name	Relation-ship
President	R.O.C.	Justin Tsai	M	2013.1.1	0	0.00%	0	0.00%	0	0.00%	President of Some Petrochemical Corporation EMBA, National Cheng Chi University Bachelor in Chemical Engineering, Tunghai University	Director of Far Eastern Union Petrochemical (Yangzhou) Ltd, and Feng Tay Enterprises Co Ltd	N/A	N/A	N/A
President Office Special Assistant (Vice President)	R.O.C.	Victoria Peng	F	2018.3.20	228,258	0.03%	8,333	0.00%	0	0.00%	Vice President of HR & Administration of OUCC Master in Economic Science, Ohio State Univ. Bachelor in Economics, NTU	Director of Far Eastern Union Petrochemical (Yangzhou) Ltd and Tong Fu Investment Corporation, Supervisor of Far Eastern Yihua Petrochemical (Yangzhou) Corp	N/A	N/A	N/A
EOG&GAS Business Group EOG Dept. GAS Dept. Vice President	R.O.C.	C.K. Tsai	M	2008.4.1	375,471	0.04%	276	0.00%	0	0.00%	Assistant Vice President of OUCC Bachelor in Chemical Engineering, National Central University	N/A	N/A	N/A	N/A
Plant Chief Officer Technical & R&D Center Material Development Dept. Processing Development Dept. Quality Assurance & Analysis Dept. Product Development Dept. Engineering Design Dept. Vice President	R.O.C.	Y. S. Chang	M	2016.11.5	0	0.00%	0	0.00%	0	0.00%	Assistant Vice President of Technical & RD Center of OUCC Master in Chemical Engineering, National Cheng Kung University	N/A	N/A	N/A	N/A

Job title	Nationality	Name	Gender	Date on which current position was assumed	Shares held when appointed		Shares held by spouse and minor children		Shares held in another person's name		Work experience (academic degree)	Position(s) held concurrently in the Company and/or in any other company	Managers as spouse or kinship of second degree			
					Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion			Job title	Name	Relationship	
Manufacturing Group I EOG Plant GAS Plant EA/EB/EC Plants Cogeneration Plant Assistant Vice President	R.O.C.	Martin Kuo	M	2018.3.20	1,073	0.00%	0	0.00%	0	0.00%	Assistant VP of Manufacturing Group EMBA, National Cheng Kung University	N/A	N/A	N/A	N/A	N/A
Manufacturing Group II EOD Plant EDA/PEA Plants Assistant Vice President	R.O.C.	Y.T. Ko	M	2021.12.1	0	0.00%	0	0.00%	0	0.00%	Sr. Manager of Engineering Design Dept. Master in Mechanical and Electro-Mechanical Engineering, National Sun Yat-sen University	N/A	N/A	N/A	N/A	N/A
SC Business Group Surfactants & Performance Chemicals Construction Chemicals Solvent & Amine Chemicals Fine Chemicals SC China Assistant Vice President	R.O.C.	James Lee	M	2020.12.1	0	0.00%	0	0.00%	0	0.00%	Sale & Production Manager of some chemical raw material manufacturer Bachelor in Chemical Engineering, National Central University	N/A	N/A	N/A	N/A	N/A
HR & Administration HR Dept. IT Dept. Administration Dept. Assistant Vice President	R.O.C.	Daniel Yu	M	2021.12.1	0	0.00%	0	0.00%	0	0.00%	Chief Auditor of Fu-Ming & Fu-Da Transport Corp. MBA of Cleveland State University, USA	Supervisor of Far Eastern Union Petrochemical (Yangzhou) Ltd and Director of Fu-Da Transport Corp.	N/A	N/A	N/A	N/A

Job title	Nationality	Name	Gender	Date on which current position was assumed	Shares held when appointed		Shares held by spouse and minor children		Shares held in another person's name		Work experience (academic degree)	Position(s) held concurrently in the Company and/or in any other company	Managers as spouse or kinship of second degree			
					Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion	Quantity of shares	Shares held Proportion			Job title	Name	Relationship	
Plant Administration Administration Dept. Logistics Dept. Procurement Dept. Assistant Vice President	R.O.C.	William Chen	M	2021.12.1	0	0.00%	0	0.00%	0	0.00%	Sr. Manager of Plant Administration Dept. Master in Science & Technology, National Kaohsiung University	N/A	N/A	N/A	N/A	N/A
Finance Dept. Sr. Manager	R.O.C.	David Chiang	M	2021.12.1	0	0.00%	0	0.00%	0	0.00%	Financial Officer of textile company Master in Accounting, National Taipei University	Director of Tong Fu Investment Corporation	N/A	N/A	N/A	N/A
Accounting Dept. Assistant Vice President	R.O.C.	Allen Yu	M	2019.4.1	0	0.00%	0	0.00%	0	0.00%	Assistant VP of Admin. Dept. of Far Eastern Apparel Co., Ltd. Bachelor in Accounting, Chung Yuan Christian University	N/A	N/A	N/A	N/A	N/A
Auditing Dept. Assistant Vice President	R.O.C.	Amy Cheng	F	2018.3.20	171,348	0.02%	0	0.00%	0	0.00%	Sr. Manager of Auditing Dept. Bachelor in Accounting, Soochow University	Director of Tong Fu Investment Corporation	N/A	N/A	N/A	N/A
S.H.E. Dept. Manager	R.O.C.	Simon Chen	M	2018.3.20	0	0.00%	0	0.00%	0	0.00%	Assistant Manager of S.H.E. Dept. Master in Naval Architecture, NTU	N/A	N/A	N/A	N/A	N/A

Note 1: Mr. Wen-Fan Leu, originally positioned as Assistant VP of President Office retired effective 1 June 2021.

2. Mrs. Judy Wang, originally positioned as Assistant VP of Financial Dept. retired effective 1 January 2022.

### 3. Remuneration paid to Directors, Presidents, and Vice Presidents in the most recent year

#### 3.1 Remuneration of Directors (Independent Directors included)

Currency unit: NTD thousand

Job title	Name	Remuneration of Director						Remuneration in the capacity as employee				The sum of A, B, C, D, E, F and G to Earnings		Whether remuneration from any investees other than subsidiaries is received? (J)
		Remuneration (A)	Pension (B)	Retained Earnings Distribution (C)	Professional practice (D)	The sum of A, B, C and D in proportion to Earnings	Salaries, bonus and special subsidies (E)	Pension (F)	Employee bonus from the Company	Companies included in the financial statement	Cash dividend	Stock dividend	the Company	
Director	Douglas T. Hsu Representatives of Far Eastern New Century: Johnny Shih, Humphrey Cheng, Kao-Shan Wu	0	0	5,602	924	6,526 0.73%	17,488	0	906	0	0	24,920 2.77%	26,169 2.91%	132,059
	Representatives of Yue Ming Trading Co Ltd: Justin Tsai	0	0	5,602	924	6,526 0.73%	17,488	0	906	0	0	24,920 2.77%	26,169 2.91%	132,059
	Representative of Fu Da Transport Corporation: Eric Chuoh	0	0	5,602	924	6,526 0.73%	17,488	0	906	0	0	24,920 2.77%	26,169 2.91%	132,059
Independent Director	Representative of Da Chu Chemical Fiber Co., Ltd.: James Chou	0	0	5,602	924	6,526 0.73%	17,488	0	906	0	0	24,920 2.77%	26,169 2.91%	132,059
	Representative of Yu Li Investment Corporation: Bing Shen	0	0	5,602	924	6,526 0.73%	17,488	0	906	0	0	24,920 2.77%	26,169 2.91%	132,059
	Walt Cheng C.T. Chan Ping Lih	0	0	2,760	460	3,220 0.36%	0	0	0	0	0	3,220 0.36%	3,220 0.36%	0

Remarks:

- The remuneration paid by the company to the Directors is in accordance with the provisions of the company's Articles of Incorporation, and after the resolution of the Remuneration Committee and the Board of Directors has been approved, will be reported of the annual general meeting of shareholders accordingly. The remuneration of Independent Directors shall be fixed according to their responsibilities. If they are concurrently the convener of the functional committee or a member of the Remuneration Committee, another fixed amount will be added. Directors' professional practice fees listed refer to fixed travel expenses.
- Except as disclosed in the above table, the remuneration received by the Directors of the company in the most recent year for providing services (such as serving as a consultant to non-employees of the parent company /all companies listed in the financial report /re-investment enterprises, etc.); None.
- The professional practice fees listed above refer to the actual amount paid in 2021; the remuneration of Directors and employees is the amount allocated according to 2021 profit status, which has been approved by the resolution of the Board of Directors on 7 March 2022, and will be submitted to the annual general meeting of shareholders.
- The company and all companies in the consolidated financial statement neither issue shares nor issue warrants and options for purchasing common shares to employees as bonus.



Breakdown of remuneration

Breakdown of remuneration of Directors	Name of Director		
	Total (A+B+C+D) the Company	Companies included in the financial statement (H)	Total (A+B+C+D+E+F+G) the Company
Less than NT\$1,000,000	Douglas T. Hsu Representatives of Far Eastern New Century Corp.; Johnny Shih, Humphrey Cheng, Kao-Shan Wu Representative of Yue Ming Trading Co Ltd: Justin Tsai Representative of Fu Da Transport Corporation: Eric Chueh Representative of Da Chu Chemical Fiber Co Ltd: James Chou (Note) Representative of Yu Li Investment Corporation: Bing Shen (Note)	Douglas T. Hsu Representatives of Far Eastern New Century Corp; Johnny Shih, Humphrey Cheng, Kao-Shan Wu Representative of Yue Ming Trading Co Ltd: Justin Tsai Representative of Fu Da Transport Corporation: Eric Chueh Representative of Da Chu Chemical Fiber Co Ltd: James Chou Representative of Yu Li Investment Corporation: Bing Shen	Representative of Fu Da Transport Corporation: Eric Chueh Representative of Yu Li Investment Corporation: Bing Shen
NT\$1,000,000 (inclusive)~NT\$2,000,000	Walt Cheng, C.T. Chan, Ping Lih	Walt Cheng, C.T. Chan, Ping Lih	Representatives of Far Eastern New Century Corp: Johnny Shih, Humphrey Cheng, Kao-Shan Wu Representative of Da Chu Chemical Fiber Co Ltd: James Chou Walt Cheng, C.T. Chan, Ping Lih
NT\$2,000,000 (inclusive)~NT\$3,500,000			
NT\$3,500,000 (inclusive)~NT\$5,000,000			
NT\$5,000,000 (inclusive)~NT\$10,000,000			Representative of Yue Ming Trading Co Ltd: Justin Tsai Representative of Fu Da Transport Corporation: Eric Chueh
NT\$10,000,000 (inclusive)~NT\$15,000,000			
NT\$15,000,000 (inclusive)~NT\$30,000,000			
NT\$30,000,000 (inclusive)~NT\$50,000,000			
NT\$50,000,000 (inclusive)~NT\$100,000,000			
NT\$100,000,000 above			
Total	11 persons	11 persons	11 persons

Note: Both Directors, James Chou and Bing Shen, were newly elected by 15 July 2021.

### 3.2 Remuneration of President and Vice Presidents

Currency unit: NTD thousand

Job title	Name	Salary (A)		Pension (B)		Salaries, bonus and special subsidies (C)		Employee bonus allocated from earnings (D)				The sum of A, B, C and D in proportion to Earnings (%)		Whether remuneration from any reinvestees other than subsidiaries is received?		
		the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	Cash dividend	Stock dividend	Cash dividend	Stock dividend	the Company	Companies included in the financial statement			
President	Justin Tsai															
Vice President	Victoria Peng	13,854	13,974	0	0	4,149	4,149	898	0	898	0	18,901	19,021	2.10%	2.11%	18
	C.K. Tsai															
	Y.S. Chang															

Remarks: 1. The Company and all companies in the financial statement neither issued employee stock option certificates nor issued warrants and options for purchasing common shares to employees as bonus.

### 3.3 Remuneration Allocation of the Managerial Officers

Currency unit: NTD thousand

Managerial Officer	Job title (Note 1)	Name (Note 1)		Stock dividend	Cash dividend	Total	Proportion to earnings after tax (%)
		Justin Tsai	Victoria Peng				
President							
Vice President of President Office							
Vice President of EOG & GAS Business Group		C.K. Tsai					
Chief Director of LY plant and Vice President of Technical & RD Group		Y.S. Chang		0	1,786	1,786	0.20%
Assistant VP of Manufacturing Group I		Martin Kao					
Assistant VP of Manufacturing Group II		Y.T. Ko					
Assistant VP of HR & Administration		Daniel Yu					

	Job title (Note1)	Name (Note1)	Stock dividend	Cash dividend	Total	Proportion to earnings after tax (%)
Managerial Officer	Assistant VP of Plant Administration	William Chen				
	Assistant VP of SC Business Group	James Lee				
	Assistant VP of President Office (Note2)	Wen-Fan Leu				
	Assistant VP of President Office (Note3)	David Huang	0	1,786	1,786	0.20%
	Assistant VP of Financial Dept. (Note4)	Judy Wang				
	Assistant VP of Accounting Dept.	Allen Yu				
	Assistant VP of Auditing Dept.	Amy Cheng				
	Financial Officer (Note5)	David Chiang				

Note 1: The scope of managerial officers shall be defined per the Board's decree under Tai-Tsai-Cheng-3-Tze No. 0920001301 dated March 27, 2003.

Note 2: Mr. Wen-Fan Leu, Assistant VP of President Office, retired effective 1 June 2021.

Note 3: Mr. David Huang newly employed as Special Assistant of President Office effective 10 January 2022.

Note 4: Mrs. Judy Wang, originally positioned as Assistant VP of Financial Dept. retired effective 1 January 2022.

Note 5: Mr. David Chiang newly employed as the Financial officer effective 1 December 2021.

**3.4 Specify and compare the remuneration of Directors, President and Vice Presidents of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated financial statements over the last two years, and specify the policies, standards, combinations, and procedures of decision-making for remuneration and their correlation with business performance and future risk:**

3.4.1 Specify and compare the remuneration of Directors, President and Vice Presidents of the Company in proportion to the earnings after tax in the entity or individual financial statement of the Company and companies included in the consolidated financial statements over the last two years:

Item	Total remuneration of Directors, President, and Vice Presidents in proportion to the earnings after tax:
Year	the Company
2021	4.51%
2020	(3.04%)
	Consolidated financial statements
	4.66%
	(3.06%)

3.4.2 The policies, standards, combinations, procedures of decision-making of remunerations and their correlation with business performance and future risk:

Pursuant to the Company Law and the Article 33 of Articles of Incorporation, when there is profit at the end of the year, the Company shall distribute 1%-2% of the profit as remuneration for employees and no more than 1% as remuneration for Directors. However, should there be any accumulated loss, the loss should be offset in advance. The remuneration for employee can be of stock or cash. Its actual proportion, amount, form or number of stock shall be resolved at the Board of Directors' Meeting, with consent of over half of the least two third of total Directors attendant, prior to the Shareholders' Meeting. Same shall be applied to the Directors remuneration. The remuneration of Directors, President, Vice Presidents and managerial officers shall be distributed in accordance with the actual operation status of the Company as well as with references from the associates and past experiences. The remuneration distributed will be subject to the changes in allocation measure, structure and system in view of actual operation status, and to the adjustment according to reenactment of relevant statute mainly according to factors such as job accountability, overall environment, operating risk and market standard.

The remuneration for the Directors will be set pursuant to the "Procedures for the Board Performance Evaluation," in view of the overall operation performance, future management risks and development of the Company, as well as individual performance achievement and contribution to the Company, considering his/her fulfillment of the task and target, accountability awareness, participation in the operation, internal relations management and communication, expertise and continued education, as well as the internal control, prior to submitting to the Remuneration Committee for the relevant performance assessment and justness evaluation prior to the Board Meeting for approval. To keep balance of the sustainability and risk management of the Company, the remuneration system shall be reviewed at any time in accordance with the status quo of operation and the relevant statute.

## 4. Implementation of Corporate Governance

### 4.1 Operations of Board of Directors

The Board held six meetings during the recent year. The attendance record of Directors is listed below:

Job title	Name (Note 1)	Actual attendance (participation)	Attendance by proxy	Actual attendance (participation) (%) (Note 2)	Remark
Chairman of the Board	Douglas T. Hsu	6	0	100%	Reelected. Date of reelection: 2021/7/15
Vice Chairman of the Board	Representative of Far Eastern New Century: Johnny Shih	6	0	100%	Reelected. Date of reelection: 2021/7/15
Director	Representative of Far Eastern New Century: Humphrey Cheng	5	1	83%	Reelected. Date of reelection: 2021/7/15
Director	Representative of Far Eastern New Century: Kao-Shan Wu	6	0	100%	Reelected. Date of reelection: 2021/7/15
Director	Representative of Far Eastern New Century: Roy Wu	3	0	100%	Discharged. Date of reelection: 2021/7/15
Director	Representative of Yue Ming Trading Co Ltd: Justin Tsai	6	0	100%	Reelected. Date of reelection: 2021/7/15
Director	Representative of Yu Li Investment Co Ltd: Paul Chuang	3	0	100%	Discharged. Date of election: 2021/7/15
Director	Representative of Fu Da Transportation Corporation: Eric Chueh	6	0	100%	Reelected. Date of election: 2021/7/15
Director	Representative of Da Chu Chemical Fiber Co Ltd: James Chou	3	0	100%	Elected. Date of election: 2021/7/15
Director	Representative of Yu Li Investment Co Ltd: Bing Shen	3	0	100%	Elected. Date of election: 2021/7/15
Independent Director	C.T. Chan	5	1	83%	Reelected. Date of reelection: 2021/7/15
Independent Director	Walt Cheng	5	1	83%	Reelected. Date of reelection: 2021/7/15
Independent Director	Ping Lih	6	0	100%	Reelected. Date of election: 2021/7/15

Other items to be specified:

- (1) Should one of the following occur, the meeting date, period, content of the resolution, opinions of all Independent Directors, and the Company's handling of the opinions of the Independent Directors shall be clearly stated:
- i. All the listed items in Article 14-3 of the Securities and Exchange Act: please refer to the Board resolution on p55-p56.
  - ii. In addition to the aforementioned, the items in board resolutions regarding which Independent Directors have voiced opposing or qualified opinions on the record or in writing: The Independent Directors voiced no opposing or qualified opinions on any of the Board's resolutions.

(2) In instances where a Director’s circumvention due to the conflict of interest, the minutes shall clearly state the Director’s name, contents of the motion and resolution thereof, reason for such circumvention and the voting status:  
NA

(3) The assessment circle, period, scope, measure and contents of Directors’ self-appraisal are stated per below:

Assessment Circle	Assessment Period	Assessment Scope	Assessment Measure	Assessment Content
Yearly	Jan. 2021 to Dec. 2021	1. Board	Board external assessment conducted by EY Business Advisory Services Inc.	Assessment aspects for the Board shall include the following: 1. Board structure (Structure) 2. Board members (People) 3. Process and Information
		2. Individual Director	Director’s self-appraisal (Board of Director’s Self-Appraisal Questionnaire)	Assessment measures for the individual Director shall include the following: 1. Control of the corporate goal and mission 2. Cognition of Director’s duty 3. Involvement in the Company’s operation 4. Internal relation management and communication 5. The expertise and continual education of Directors 6. Internal control
		3. Functional Committees (incl. Audit Committee and Remuneration Committee)	Functional Committee internal assessment (Functional Committee internal assessment questionnaire)	Assessment measures for the functional committees shall include the following: 1. Involvement in the Company’s operation 2. Cognition of functional committee’s duty 3. Quality improvement of the functional committee’s decision-making 4. The composition and assignment of the functional committee 5. Internal control

Measures undertaken during the current year and past year (including the establishment of the Audit Committee, improvement of info transparency, etc.) in order to strengthen the functions of the Board of Directors and assessment of such implementation: The important Board resolutions were notified at the Company’s website, and Directors liability insurance were implemented, to improve the information transparency and secure shareholders’ equity, as well as have the Audit Committee established for the supervision of Board’s execution.

(4) The attendance record of the Independent Directors in 2021 and till the printing date of this annual report:

Date	2021/3/18	2021/5/4	2021/6/17	2021/7/15	2021/7/27	2021/11/5	2022/3/7	2022/4/26
Walt Cheng	*	V	V	V	V	V	V	V
C.T. Chan	V	V	*	V	V	V	V	*
Ping Lih	V	V	V	V	V	V	V	V

Note: ‘ V ‘ represents attendance, ‘\*’ attendance via proxy

Note 1: For a Director of an institution, please specify the names of the institutional shareholder and its representative.

Note 2: (a) Where a specific Director may be relieved from duties before the end of the fiscal year, please specify their date of discharge in the ‘Remarks’ Section. Their actual attendance rate (%) to the Board session

shall be calculated on the basis of the number of meetings called and actual number of sessions he/she attended, during his/her term of office.

- (b) Where an election may be held for filling the vacancies of Director before the end of the fiscal year, please list out and specify both the new and the discharged Directors, as well as the reelected Directors and the date of election in the 'Remarks' Section. Their actual attendance rate (%) of Board meetings shall be calculated on the basis of the number of meetings called and actual number of sessions he/she attended, during his/her term of office.

#### 4.2 Operations of the Audit Committee

The Audit Committee held six meetings during the recent year. The attendance record of Independent Directors is listed below:

Job title	Name (Note 1)	Actual attendance (participation)	Attendance by proxy	Actual attendance (participation) (%) (Note 2)	Remark
Convener	C.T. Chan	6	0	100%	The Audit Committee of the company has been established since 8 June 2018.
Independent Director	Walt Cheng	6	0	100%	
Independent Director	Ping Lih	6	0	100%	

The Audit Committee of the Company, which was consisted of all the Independent Directors, was established at 8 June 2018. The major issues in regard to the Audit Committee meetings summoned quarterly at least included the following:

- (1) The formulation or amendment of the Company's internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- (2) The efficiency evaluation of the Company's internal system.
- (3) The formulation or amendment of the Company's major financial disposition procedures in regard to the acquisition or disposal of assets, engagement in the derivatives transactions, loans of funds, and endorsements and guarantees pursuant to Article 36-1 of the Securities and Exchange Act.
- (4) The interest inflicted issues concerning Directors of the Company.
- (5) The Company's proposal on major assets or derivatives transactions.
- (6) The Company's proposal on major loans of funds, endorsements and guarantees.
- (7) The Company's proposal on offering issuance or private placement of equity-type securities.
- (8) The Company's appointment, discharge or remuneration of the CPAs.
- (9) The Company's appointment or discharge of financial, accounting or internal auditing officers.
- (10) The Company's annual financial report.
- (11) The major issues of other company or stipulation of the competent authority.

➤ Financial statements review

The Board of Directors submitted the 2021 Business Report, Financial Statements, and the Resolution for the Deficit Offset, which were reviewed by the Audit Committee following the audition of CPAs, Mr. Hsin-Wei Tai and Mr. Fan Yu-Wei of Deloitte & Touche. All were found in order.

➤ Appointment of CPAs

The independence and competence of the CPAs were evaluated by both the Audit Committee's meeting and Board of Directors' meeting held respectively on 3<sup>rd</sup> and 4<sup>th</sup> May 2021. The CPAs have no interest or kinship of any kind with the Company, and provide professional services with fair and objective attitude. A declaration stated the independence and competence of the CPAs as regulated was also provided by Deloitte & Touche.



Term of the Audit Committee Meeting	Major resolution & follow-up action	Items regarding Article 14-5 of Securities & Exchange Act	Audit Committee's resolution results and the Company's opinion on the follow-up
11 <sup>th</sup> meeting of 1 <sup>st</sup> term 2021.3.17	<ol style="list-style-type: none"> <li>1. Approval of the acquisition and disposal of the Company's assets</li> <li>2. Approval of the Company's proposal on credit line agreements with the financial institutes</li> <li>3. Approval of the Company's guarantee proposal on the reinvestee's credit line with the financial institutes</li> <li>4. Approval of the Company's 2020 financial report (including individual report) and appointment of CPAs</li> <li>5. Approval of the Company's 2020 deficit offset</li> <li>6. Approval of the Company's 2020 business report</li> <li>7. Approval of the Company's Q4/2020 auditing report</li> <li>8. Approval of the Company's 2020 Internal Control System Declaration</li> </ol>	<p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p>	<p>The proposals were passed unanimously by the Audit Committee, and reported to the Board of Directors and approved unanimously.</p>
12 <sup>th</sup> meeting of 1 <sup>st</sup> term 2021.5.3	<ol style="list-style-type: none"> <li>1. Approval of the Company's consolidated financial report Q1/2021</li> <li>2. Approval of the acquisition and disposal of the Company's assets</li> <li>3. Approval of the Company's proposal on credit line agreements with the financial institutes</li> <li>4. Approval of the Company's guarantee proposal on the reinvestee's credit line with the financial institutes</li> <li>5. Approval of the Company's periodical assessment on the CPAs' independence and competence</li> <li>6. Approval of the Company's Q1/2021 auditing report</li> <li>7. Approval of the Company's investment in establishment of the product line &amp; plant of semi-conductor-grade CO<sub>2</sub></li> </ol>	<p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p>	
1 <sup>st</sup> meeting of 2 <sup>nd</sup> term 2021.7.26	<ol style="list-style-type: none"> <li>1. Approval of the Company's consolidated financial report Q2/2020</li> <li>2. Approval of the acquisition and disposal of the Company's assets</li> <li>3. Approval of the Company's proposal on credit line agreements with the financial institutes</li> <li>4. Approval of the Company's Q2/2021 auditing report</li> </ol>	<p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p>	
2 <sup>nd</sup> meeting of 2 <sup>nd</sup> term 2021.11.4	<ol style="list-style-type: none"> <li>1. Approval of the Company's consolidated financial report Q3/2021</li> <li>2. Approval of the acquisition and disposal of the Company's assets</li> <li>3. Approval of the Company's proposal on credit line agreements with the financial institutes</li> <li>4. Approval of the Company's proposal on customers' credit line control</li> <li>5. Approval of the Company's EC sales contract with Chi Mei</li> <li>6. Approval of the Company's Q3/2021 auditing report</li> <li>7. Approval of the Company's 2022 internal audit plan</li> <li>8. Approval of the change of the Company's Finance Officer</li> </ol>	<p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p> <p style="text-align: center;">V</p>	



Term of the Audit Committee Meeting	Major resolution & follow-up action	Items regarding Article 14-5 of Securities & Exchange Act	Audit Committee's resolution results and the Company's opinion on the follow-up
3 <sup>rd</sup> meeting of 2 <sup>nd</sup> term 2022.3.4	1. Approval of the acquisition and disposal of the Company's assets 2. Approval of the Company's proposal on credit line agreements with the financial institutes 3. Approval of the Company's 2021 financial report (including individual report) 4. Approval of the Company's 2021 profit allocation 5. Approval of the Company's 2021 business report 6. Approval of the Company's Q4/2021 auditing report 7. Approval of the Company's 2021 Internal Control System Declaration 8. Approval of the amendment to the Company's "Procedures for Capital Lending to Others" and "Procedures for Endorsement and Guarantee" 9. Approval of the amendment to the Company's "Procedures for Acquisition and Disposal of Assets"	V  V  V  V  V  V  V	The proposals were passed unanimously by the Audit Committee, and reported to the Board of Directors and approved unanimously.
4 <sup>th</sup> meeting of 2 <sup>nd</sup> term 2022.4.25	1. Approval of the acquisition and disposal of the Company's assets 2. Approval of the Company's proposal on credit line agreements with the financial institutes 3. Approval of the Company's guarantee proposal on the reinvestee's credit line with the financial institutes 4. Approval of the change of CPA and Company's periodical assessment on the CPAs' independence and competence 5. Approval of the Company's consolidated financial report Q1/2022 6. Approval of the Company's Q1/2022 auditing report 7. Approval of the Company's acquisition of common shares of Oriental Petrochemical (Taiwan) Corp.	V  V  V  V  V  V	

Other items to be specified:

1. If the operation of the Audit Committee falls under any of the following circumstances, the date, session, motion of the Audit Committee meeting, the Independent Directors' objections, qualified opinions or major recommendations, resolutions results of the Audit Committee, and the company's response to the opinions of the Audit Committee shall be stated and dealt with.

(1) All the listed items mentioned above are pursuant to the Article 14-5 of the Securities & Exchange Act.

(2) Any other item which was not approved by the Audit Committee, yet resolved by two thirds of the Board of Directors, it is necessary for the date, session, motion of the Board meeting, and the resolution result of the Audit Committee as well as the Company's response to the opinion of the Audit Committee shall be specifically stated : N/A

2. In instances where an Independent Director's circumvention due to the conflict of interest, the minutes shall clearly state the Independent Director's name, contents of the motion and resolution thereof, reason for such circumvention and the voting status: N/A

3. Communication between Independent Directors and internal audit officers and CPAs: (e.g. the material items, methods and results of the discussion regarding the company’s financial and business status)

- (1) In addition to each audit report submitted to the Independent Directors the following month upon completion, the audit officer reported on the auditing execution, the important internal audit issues at each quarterly held Audit Committee meeting. A meeting minutes would be composed and forwarded to the Audit Committee before reporting to the Board.
- (2) The CPAs of the Company presented at the Audit Committee meeting the audit results of the quarterly financial report, and delivered the relevant requests commanded by law. In 2021, The Audit Committee and the CPAs were kept in good communications, with none of the unusual aforementioned occurred.

Term of the Audit Committee Meeting	Communication status with the auditing officer	Communication status with the CPAs
11 <sup>th</sup> meeting of 1 <sup>st</sup> term 2021.3.17	The Company’s Q4/2020 audit report The Company’s 2020 Internal Control System Declaration	The audit report of the Company’s 2020 financial report
12 <sup>th</sup> meeting of 1 <sup>st</sup> term 2021.5.3	The Company’s Q1/2021 audit report	The audit report of the Company’s Q1/2021 consolidated financial report The company’s periodical assessment on the CPAs’ independence and competence
1 <sup>st</sup> meeting of 2 <sup>nd</sup> term 2021.7.26	The Company’s Q2/2021 audit report	The audit report of the Company’s Q2/2021 consolidated financial report
2 <sup>nd</sup> meeting of 2 <sup>nd</sup> term 2021.11.4	The Company’s Q3/2021 audit report The Company’s 2022 internal audit plan	The audit report of the Company’s Q3/2021 consolidated financial report Communication and statement on the key auditing issues of the audit report of 2021

**4.3 Corporate Governance Execution Results and Deviations from “Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies”**

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
1. Has the Company formulated and disclosed its own corporate governance best-practice principles in accordance with “Corporate Governance Best-Practice Principles for TWSE-GTSM Listed Companies”?	V		The Company has formulated “Corporate Governance Principles”, and reviewed regularly to strengthen its system and structure. The same has also been disclosed through the Company’s website accordingly.	None
2. Shareholding Structure & Shareholders’ Equity				
(1) Has the Company established internal operating procedures to handle shareholder proposals, doubts, disputes, and litigation-related issues, and practically implemented such procedures?	V		(1) The Company has had a specific section of the Corporate Governance Principles in regards to the implementation of securing shareholders’ equity, and established communication channels with the investors through its website, and dedicated spokesman and IR representative to respond to shareholders’ proposals, and questions. Shareholders and investors opinion or business enquiry can also be raised via Investment section of the website ( <a href="https://www.oucc.com.tw">https://www.oucc.com.tw</a> ) at all time.	None
(2) Has the Company kept the lists of its major shareholders and the ultimate owners of such major shareholders?	V		(2) The Company’s Financial Dept. holds, at all time, the lists of its major shareholders and such ultimate owners, and reports for the info update pursuant to regulation of the listed companies.	
(3) Has the Company established risks control and firewall mechanism with its affiliates?	V		(3) The operating management and financial operation between the Company and its affiliates run independently, and are carried out in accordance with “Regulations Governing Transactions With Related Parties”, “Procedures for Acquisition or Disposal of Assets”, “Procedures for Capital Lending to Others” and “Procedures for Endorsements/Guarantees”. Adequate risks control and firewall mechanism have been established.	
(4) Has the Company established the internal rules to prohibit its insiders from trading securities by using info not yet disclosed to the market?	V		(4) The Company has formulated and posted on its website the “Procedures for Internal Material Information Handling”, prohibiting its insiders from trading securities by using undisclosed info, as well as “Codes of Ethics” and “Best Practice Principles”	

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
			established to guide and constrain the conducts of its employees, and advocates and applies such concepts to its day-to-day operation. New recruit needs to sign a NDA when reports to work.	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Have the Board members formulated diverse policies and operative goals for implementation accordingly?</p>	V		<p>(1) The Company has established the candidate nomination system according to its Corporate Governance Principles to assess the candidate's academic and professional experiences in terms of the Board member nomination and selection, and follows the "Procedures for the Board Election" and "Corporate Governance Principles" to ensure the diversity, independence of the Board member and the opinions of the stakeholders will be taken into account. The Company's Board members of the 15<sup>th</sup> term have been seasoned in business management, strategic leadership and industry related know-how. Some of the members are experienced in law, economy and marketing, etc. Please refer to Note 1 for detailed diverse policies implementation.</p>	None
<p>(2) In addition to Remuneration Committee and Audit Committee, has the Company established any other types of functional committee?</p>	V		<p>(2) The Company has established Remuneration Committee, and Audit Committee as stipulated.</p>	Other functional committees will be established accordingly.
<p>(3) Has the Company established Board performance assessment method and has the performance evaluated annually, and reported to the Board, which is based as reference for remuneration and nomination of each Director?</p>	V		<p>(3) According to the Corporate Governance Best Practice Principles of the Listed Companies, the Company has formulated the Assessment Method for the Board Performance and had it approved at the 6 March 2017 Board meeting. Periodical evaluation meeting conducted by Board members and the Board meeting organizing unit will be held annually by way of self-appraisal, following the five aspects: participation of the company's business operation, enhancement of the Board's decision-making, Board's composition and structure, Directors' appointment and continued training, and</p>	None

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
			<p>internal control, etc. So has the functional committees' performance assessment method been established after approved by the Board meeting held at 7 November 2019.</p> <p>Additionally, the Board held on 7 Nov 2019 approved the Assessment Method for the Board Performance to be assessed by professional, independent institute or scholars externally at least every 3 years. The company entrusted EY Business Advisory Services Inc. (hereinafter as EY) to perform the 2021 external performance evaluation of the Board of Directors, based on the aspects of Structure, People, and Process and Information, which has been scored as "Advanced," "Advanced" and "Outstanding" respectively. The assessed result has also been reported to the Remuneration Committee held on 4 Mar 2022, and based as reference for remuneration and nomination.</p>	None
(4) Has the Company evaluated the independence of CPAs on a regular basis?	V		(4) The Company's Board has evaluated the independence and competence of the CPAs at least once annually based on the scale of the public accounting firm and experiences & qualifications of the CPAs, as well as consecutive years of their service as auditors, their independence with the Company's finance, whether or not their independence principles intact, and work performance and plans, which information or statement provided by the CPAs or their firm were evaluated and approved by the Board meeting held on 4 May 2021. Please refer to Note 2 for evaluation details.	
4. Has the Company established a fully dedicated or concurrent unit or personnel in charge of the corporate governance related business, which includes but not limited to the provision of Directors and Supervisors' execution info, the proceeding of Board and Shareholders' meetings	V		The Company's Board has approved of the establishment of Corporate Governance Officer, and its candidate Victoria Peng, VP of HR & Administration, to be in charge of the corporate governance related affairs at the meeting held at 18 March 2021. The Officer is responsible for the convening of Board and Shareholders' meetings, production of the Board and Shareholders' meeting minutes, assisting in	None

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
and the related pursuant to the regulation, as well as the producing of the Board and Shareholders' meetings minutes, and so on?			<p>terms of assignment and continued training program of Directors, and provision of required information for business operation, as well as compliance of laws and regulations for the Board. The corporate governance implementation in 2021 included:</p> <p>(1) The Board meeting and the related: 6 times                      (2) The Audit Committee meeting and the related: 4 times                      (3) The Remuneration Committee meeting and the related: 2 times                      (4) Arrangement for Directors continued training program: 11 persons &amp; 72 hours in total                      (5) Submission of CSR report.</p> <p>The mandatory education for the Corporate Governance Officer within a year since appointed is 18 hours at least the first year, and 12 hours at least annually starting the next year.</p>	None
5. Has the Company established a communication channel for the stakeholders (including but not limited to the shareholders, employees, clients and suppliers, etc.), a company website dedicated to stakeholders, and responded appropriately to the social responsibility issues which are critical to stakeholders?	V		<p>The Company has delegated a spokesman, acting spokesman, investor relations, and a company stock service agent, and also assigned a CSR section on the company website (<a href="https://www.oucc.com.tw/en/csr-99-page470">https://www.oucc.com.tw/en/csr-99-page470</a>) with a questionnaire and a contact email address to be responded by the designated personnel of the IR.</p>	None
6. Has the Company commissioned a professional stock agent to handle shareholders affair?	V		<p>The Company has commissioned a professional stock agent Oriental Securities Corporation to handle shareholders affairs.</p>	None
7. Information Disclosure (1) Has the Company established a website for info disclosure on financial, business and corporate governance? (2) Has the Company also adopted other disclosure measures such as English website, dedicated personnel for collecting & disclosing of company info, implemented spokesman system, and uploaded the institutional	V  V		<p>(1) The Company has established a website (<a href="https://www.oucc.com.tw">https://www.oucc.com.tw</a>) for info disclosure on financial, business, corporate governance, and other important info.                      (2) The Company has established an English website, has dedicated personnel in charge of info collecting and disclosing of finance, business, institutional investor conference and the related, as well as implemented spokesman system by delegating spokesman, acting spokesman, and investor relations.</p>	None

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
investor conference presentations on the Company's website?				
(3) Has the Company announced and declared the annual financial report within two months after end of the fiscal year, and announced Q1, Q2, Q3 financial report and monthly operating performance within prescribed time limit?	V		(3) The Company announced and declared its annual financial report in advance, and announced the quarterly financial report and monthly operating performance pursuant to the law and regulation.	None
8. Does the Company have other critical information which can help others to understand the implementation of corporate governance (including but not limited to, employee welfare, staff care, investor relations, supplier relations, stakeholder rights, Director training status, risk management policies, implementation statuses of standard risk measurement and customer policy, as well as the Company's purchase of liability insurance for Directors)?	V		For further details of the corporate governance operation of the Company and its subsidiaries, please refer to 3.8 <i>Other information enabling a better understanding of Company corporate governance</i> on p47-p52.	None
9. Please state the improvement status quo of the latest Corporate Governance Evaluation results announced by the Corporate Governance Center of TWSE, and the prioritized items and measures to be adopted: The Company has adopted the Climate-related Financial Disclosure Proposal framework to inventory, assess and disclose the impacts of climate change, and formulate action plans such as energy conservation and carbon reduction energy resource utilization strategies strengthen the assessment of the potential risks and opportunities of climate change on operational activities in the future.				

Note 1:

According to the Chapter III of the Company's Corporate Governance Principles, the composition of the Board members should be diversified, and shall possess the necessary knowledge, skill, and experience to perform their duties. To achieve the ideal goal, the Board of Directors shall have the abilities to make operational judgment, perform accounting and financial analysis, and conduct management in operation, crisis, and leadership in decision making, industrial know-how and international market perspective.

The Company's Board is composed of 11 Directors, including 3 Independent Directors, one of which is female. All the Board members are diversified and experienced in the professions of operation, legal, accounting, and the like as listed below. To adapt to the changing of globally competitive management environment and law & regulations, such as to the corporate governance, each Director is well aware of and identified with the company's overall management concept and business status, by way of his/her seasoned experiences in global political & economic status, law

compliance, and international operation & manufacturing management. All the Board members, selected via candidate nomination after academic and vocational experiences assessment, in compliance with the Board Election Procedures and Corporate Governance Principles of the company, securing the diversification, independence and stakeholders opinion to be heard, are equipped with necessary and timely managerial capability through aide of advanced programs.

The implementation of the Board’s diversification policy:

Name	Gender	Independent Directors Length of Tenure		Professional Knowledge & Skill			Diversified Core Strength							
		Under 3 years	3 to 6 years	Professional Background	Professional Qualification	Chemical Engineering Experience	Operation Judgement	Management	Finance & Accounting	Commerce & Economy	Crisis Management	Industrial Knowledge	International Perspective	Decision-making Leadership
Douglas T Hsu	Male			Operation		V	V	V	V	V	V	V	V	V
Johnny Shih	Male			Operation		V	V	V	V	V	V	V	V	V
Humphrey Cheng	Male			Operation	Law	V	V	V	V	V	V	V	V	V
Kao-Shan Wu	Male			Operation		V	V	V	V	V	V	V	V	V
Justin Tsai	Male			Operation		V	V	V	V	V	V	V	V	V
Eric Chueh	Male			Operation		V	V	V	V	V	V	V	V	V
James Chou	Male			Operation		V	V	V	V	V	V	V	V	V
Bing Shen	Male			Finance		*	V	V	V	V	V	V	V	V
Walt Cheng	Male		V	Operation		V	V	V	V	V	V	V	V	V
C. T. Chan	Male		V	Operation		V	V	V	V	V	V	V	V	V
Ping Lih	Female		V	Accounting	Accountant	*	V	V	V	V	V	V	V	V

“\*” represents experience in other industry

Note 2: Evaluation of CPAs independence and competence (in accordance with the Norm of CPAs Professional Ethics)

Evaluation Items	Evaluation Result	Whether to meet w / independence (yes or no)
1. Has there been no change of CPAs in seven years as of the latest auditing service?	No	Yes
2. Whether or not the CPAs have critical financial interest related to the Company.	No	Yes
3. Whether or not the CPAs are in any inappropriate relationships with the Company.	No	Yes
4. Whether or not the CPAs equip assistants with honesty, righteousness and independence.	Yes	Yes
5. Have the CPAs provided auditing services to the Company where CPAs served within two years?	No	Yes
6. Have the names of CPAs been used by others?	No	Yes
7. Have the CPAs owned the stocks of the Company or its affiliates?	No	Yes
8. Have the CPAs involved in the capital loaning with the Company or its affiliates?	No	Yes
9. Have the CPAs shared investment or profits with the Company or its affiliates?	No	Yes
10. Have the CPAs had concurrent job and received fixed wages from the Company or its affiliates?	No	Yes
11. Have the CPAs involved in the management of the decision-making of the Company or its affiliates?	No	Yes
12. Have the CPAs run other business concurrently which might fail the detachment of independence?	No	Yes
13. Have the CPAs been kin within the second tier with the management of the Company?	No	Yes
14. Have the CPAs received any premium in regard with the business of the Company?	No	Yes
15. Have the CPAs been disciplined or involved in matters that may affect the independence?	No	Yes



**4.4 Establishment, functions, and operations of the Remuneration Committee:**

4.4.1 Members of the Remuneration Committee

ID	Requirements	Professional qualifications & experiences	Independence criteria	Number of other public companies where the person holds the title as Remuneration Committee member
	Name			
Convener & Independent Director	C. T. Chan	Please refer to table 1 of Directors Information on page 14 for relevant information.	Complied with independence qualification, for relevant information please refer to page 15.	0
Independent Director	Walt Cheng			0
Others	J. W. Huang	Ex-AVP of HR Department of Far Eastern Department Stores		1

4.4.2 Operations of the Remuneration Committee

- (1) The Company's Remuneration Committee consists of 3 members.
- (2) Current term of office: July 27, 2021~July 14, 2024. The Committee held 2 meetings (A) in the recent year and the attendance of the Committee members is summarized as follows:

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remark
Convener	C. T. Chan	2	0	100%	
Member	Walt Cheng	2	0	100%	
Member	Lucia Tung	1	0	100%	Discharged by 2021/7/15
Member	J. W. Huang	1	0	100%	Newly assigned by 2021/7/27

Other notes:

1. If the Board of Directors does not adopt, or amends, the Remuneration Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the Company's handling of the Remuneration Committee's opinions (If the remuneration ratified by the Board of Directors is superior than that suggested by the Remuneration Committee, please specify the deviation and reasons thereof): N/A
2. For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the Company's handling of the said opinions: N/A

- (3) The proposals and resolutions of the Remuneration Committee meetings in 2021

Term of the Remuneration Committee Meeting	Major resolution & follow-up action	Remuneration Committee's resolution results and the Company's opinion on the follow-up
6 <sup>th</sup> meeting of 4 <sup>th</sup> term 2021.3.17	1. Approval of the implementation report of the 2020 Board performance evaluation of the Company 2. Approval of the Company's proposal on the 2020 Board of Directors remuneration and employees compensation	The proposals were passed unanimously by the Remuneration Committee, and reported to the Board of Directors and approved unanimously.
1 <sup>st</sup> meeting of 5 <sup>th</sup> term 2021.11.4	1. Approval of the 2020 remuneration of the Company in comparison with petrochemical industry associates	

**4.5 Implementation of Sustainable Development and Deviations from Sustainable Development Best Practice Principles for Listed Companies and reasons thereof**

Item	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
1. Has the Company established the sustainable development governance structure as a full-time (part-time) promoting unit, and has the Board authorize the in-charge top management for update report?	V		The Company has set up a part-time unit for promoting sustainable development, which is responsible for coordinating the formulation and implementation of policies, systems or related management guidelines and specific plans for the promotion of corporate sustainable development, and regularly summarizes the progress of implementation and reports to the board of directors. (Please refer to the company's ESG report and the company's website for the composition & structure of the aforementioned part-time unit) Board of Directors of the Company, as the highest guiding unit, supervises the sustainable development of the company, and is regularly presented with the implementation results of sustainable development, future work plans, and its promotion status quo.	None
2. Has the company conducted risk assessments on environmental, social and corporate governance issues according to the principle of materiality, and formulate relevant risk management policies or strategies?	V		Based on the principle of materiality, the company conducts risk assessment and analysis on environmental, social and corporate governance issues related to the company's operations, formulates risk management policies to strengthen management on such regard, striving for the implementation of its corporate social responsibility and sustainability.	None
3. Environmental issues (1) Has the Company established an environmental management system appropriate to the characteristics of its industry?	V		(1) According to its industry characteristics, the Company has formulated the complete SHE measures, and fulfilled the "ISO-45001 Occupational Health & Safety Management System" and "ISO-14001 Environmental Protection Management System" by means of 'prioritized safety, clean production, continued improvement and unanimous participation'.	None
(2) Has the Company been striving to reinforce its resource usage effectiveness, reduce its environmental impact and improve its use of recyclable materials?	V		(2) The Company has been dedicating to the recycle of resources, which include the implementation of Ethylene Recycle System and the invested waste water & exhaust gas recycle plan, which of the former raises the production efficiency and reduces raw material consumption rate, while the latter targets at the recycle of 70% of the waste water and 90% of the CO <sub>2</sub> generated during production.	

Item	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(3) Has the Company assessed the current and potential impact of climate change on its operations, and adopted countermeasures on such regard?	V		(3) The company actively responds to the risks resulted from climate change, adopts the "Task Force on Climate-related Financial Disclosure" framework (TCFD) to inventory, evaluate and disclose the impact of climate change, and formulate energy conservation and carbon reduction energy resource utilization strategies, reduce the impact of natural disasters on the factory caused by extreme climate or related external forces, and continue investment on the improvement of process energy consumption, etc., as the action plan of the company in response to the climate change, so as to reduce the possible impact of climate change risks on the operation.	None
(4) Has the Company analyzed its GHG emission, water consumption volume, and total waste weights in the last two years, and developed management policies in such regard?	V		(4) The analyzed figures in such regard have been published in the annual ESG report. The relevant policies for energy saving, GHG and water usage reduction, as well as waste management have also been formulated.	
4. Social issues (1) Has the Company formulated management policies and procedures according to the related laws and int'l covenants on human rights?	V		(1) The Company has established the stipulated measures for labor relations, to secure the labor rights and safeguard the basic human rights pursuant to the labor laws and regulations, supported and complied voluntarily with the int'l covenants on human rights treaties, including the Universal Declaration of Human Rights (UDHR), the United Nations Global Compact (UNGC), the United Nations Guiding Principles on Business and Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, so to eliminate any acts that may infringe or violate the human rights and enhance the human rights awareness of the internal personnel and the stakeholders.	None

Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
(2) Has the Company formulated and applied reasonable welfare measures, such as salary, vacation leaves and other benefits, and had the Company’s operating performance or result incorporated appropriately in the salary of employees?	V		<p>(2) The Company has multiple employee welfare measures, and various welfare activities handled by the employee welfare committee. The remuneration-related management measures and policy thereof have been established and regularly reviewed, ensuring the policy, the company’s operating results and the individual performance of employees are properly linked.</p> <p>a) The stated employee welfare measures should include but not limited to employee compensation, workplace diversity and equality, including but not limited to: the proportion of female employees and senior executives, vacations, various allowances, gifts and subsidies, etc.</p> <p>b) Describe how business performance or results are reflected in employee compensation policies and their implementation.</p>	None
(3) Has the Company provided its employees with a safe and healthy work environment, and regularly implemented employee safety and health education?	V		<p>(3) In order to ensure employee safety and health effectively, implement relevant education and promotion, the Company has set up fire protection measures, as well as a clinic on factory premises with contracted physician, professional nursing staff and equipment. A health examination for employees is conducted each year.</p> <p>a) State the measures for employees' safe and healthy working environment, the education policy for employees and their implementation.</p> <p>b) State that the relevant verifications obtained by the company shall be valid and covered by the date of publication of the annual report.</p> <p>c) State the number of employee occupational accidents in the current year, the ratio of the number of employees to the total number of employees, and related improvement measures.</p>	

Item	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(4) Has the Company developed an effective career planning and training program for its employees?	V		(4) The Company has developed a complete training program for its employees according to the demand of each position. State the training plan including aspects, such as: new employee training, professional training, supervisor training, etc., which cover the scope of supervisors at all levels, employees, etc., and the implementation status quo.	None
(5) Has the Company provided health and safety to customers in terms of products and services, customers privacy, marketing and labeling in accordance with relevant regulations and international standards, and formulated policy and grievance procedure for the protection of consumer rights?	V		(5) With product quality and customer rights highly upholding, the Company has been certified under ISO-9001 the Quality Management, and formulated the management policy and grievance procedure in conformity with the relevant regulations and international standards to protect consumer rights.	
(6) Has the Company formulated the supplier management policy to request supplier to comply with relevant regulations in regard with the issues of environmental-friendliness, vocational safety & health, and labor rights?	V		(6) The Company has formulated the supplier management policy in request of the suppliers' compliance in relevant regulations in regard with the issue of environmental-friendliness, vocational safety & health, and labor rights, and disclosed the implementation and results in its annual ESG report and at the company website.	
5. Has the Company taken reference of international principles or guideline for ESG compilation to disclose non-financial information in its ESG report? Whether or not such report was verified or reassured by the third-party unit?	V		The published ESG reports of the Company were compiled in accordance with the Global Reporting Initiative (GRI) Standards Guideline, and AA1000 (2008) standards, and verified by SGS-Taiwan in conformity with the GRI Standards (Core Option) and AA1000 AS Type I intermediate assurance level.	None
6. If the Company has established its corporate social responsibility best-practice principles in accordance with the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, please clearly describe the functioning of such principles and any discrepancies: The Company has formulated its CSR policies since 2014, and fulfilled its corporate social responsibility to advance the development in economy, society, environmental balance and sustainability through its efforts in the green products development, the eco-friendly certifications awarded for environmental protection, as well as the participation in the social public welfare activities. All the relevant info is publicized at the company's website and the MOPS.				

Item	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
<p>7. Other important information to facilitate a better understanding of the Company's sustainability development practices:</p> <p>(1) The working environment and employee's personal safety protection measures:</p> <ul style="list-style-type: none"> <li>a) To prevent occupational disasters and ensure employee safety, the Company has established "contingency plans", performs practice drills, so to take rapid and systematic measures against fire, leakage, typhoon, earthquake, war, traffic accidents, reporting, as well as for evacuation and recovery, to mitigate injury and loss as much as possible.</li> <li>b) All the substance safety data sheets for raw materials, supplies and products are available throughout the premises, and are also accessible to personnel on intranet to help them take any necessary corrective action and ensure the safety of the personnel as well as the factory.</li> <li>c) The production process zones are equipped with fire protection equipment such as automatic sprinkler systems which may be automatic, manual or remote controlled, to ensure the safety of the personnel as well as the factory.</li> <li>d) Monitoring stations for combustible gas, EO, NH<sub>3</sub>, H<sub>2</sub>, and waste water (COD, pH) are installed within the production areas, so that any leakage or abnormal situation may be detected and remedied/ eliminated immediately.</li> <li>e) Established procedures for hot/hazardous work, and confined space entrance to ensure the safety of personnel and equipment.</li> <li>f) Implement contractor's safety training and requirements according to employee safety criteria to ensure the safety of personnel accessing the factory.</li> <li>g) Organize health examination for employees to detect health problems as early as possible and take prompt action to protect employee health.</li> </ul> <p>(2) Safety, Health, and Environmental (SHE) Policy</p> <ul style="list-style-type: none"> <li>a) To Commit to SHE and Comply with Laws and Regulations To ensure commitment in conformity with laws and regulations, or other requirements in regard with SHE.</li> <li>b) To Commit to Continuous Improvement of the SHE Management System To establish the SHE performance evaluation index for the company, and to continue enhancing the SHE management performance through monitoring, review and improvement.</li> <li>c) To Implement Full Participation and Continuous Improvement To attend to the SHE requirements and improve SHE performance through the consultation and participation mechanism for the workers or their representatives, and by means of regular monitoring, review and management.</li> <li>d) To Eliminate Hazards to Reduce SHE Risks To implement hazard identification and risk assessment, strengthen sources management, and eliminate hazards to reduce risks by means of engineering control or management measures.</li> <li>e) To Conform to Environmental Protection and Implement Pollution Prevention To ensure commitment to continuous improvement in pollution prevention, creating a higher quality and environmentally-friendly work environment.</li> <li>f) To Provide Safe Environment and Healthy Workplace To establish an intrinsically safe work environment, and develop friendly and healthy workplace as a cultivation of SHE.</li> <li>g) To Disclose to Stakeholders To value bilateral communications, and divulge proactively the company's SHE policy and related information to employees, contractors, customers, suppliers, and other stakeholders to impel benign changes of SHE.</li> </ul>				

Item	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
<p>(3) Verification of SHE management system</p> <p>The Company obtained authentication of ISO-14001 in 1999, and regained in 2020, whereas OHSAS-18001 obtained in 2002, regained in 2020 in the transformation of ISO-45001, with validity starting 27 April 2020 till 27 April 2023. In 2021, Far Eastern Union Petrochemical (Yangzhou) Ltd. (FUPY) completed the certificate renewal audit of ISO-9001, ISO-14001 and the conversion of OHSAS-18001 to ISO45001, with validity starting 4 July 2021 till 3 July 2024. It passed the second-level safety production standardization review of hazardous chemical enterprises of Jiangsu Province, and obtained the compliance certificate, with validity starting December 2021 till December 2024. FUPY was also awarded the title of Jiangsu Health Enterprise, which will be valid until December 2023, obtained the pollutant discharge permit, hazardous chemicals registration certificate, and safety production permit after its merger, and completed the filing of major hazard sources and the revision and filing of safety/environmental emergency plans. In April 2021, the municipal environmental protection departments conducted cross-examination, in May and July two cross-examinations of municipal major hazard sources were conducted, and the provincial-level specific inspection of hazardous waste was conducted in November. With completion of the safety inspections of the 19th safety production inspection team of Jiangsu Province, no major hazards have ever occurred in 2021.</p>				
<p>(4) Community participation, social service and social public welfare</p> <p>The total amount of donation to the disadvantaged public welfare group in 2021 exceeded NTD3.80 MM, including a subtotal of NTD3.76 MM sponsored for the community activities.</p> <p>a) The Company takes its responsibility and obligations as a member of the Taiwan Responsible Care Association very seriously and participates in regular training and other activities.</p> <p>b) As a member of the Industrial Safety and Health Association of the ROC and TIGA, the Company shares ideas and experience in the promotion of SHE with other members from time to time.</p> <p>c) The Company subscribes to the good-neighbor fund run jointly by Linyuan Factories each year and sponsors local celebrations over the Lunar New Year holidays, Dragon Boat and Moon Festivals, and other social activities (including environmental protection, economic construction and cultural observation).</p> <p>d) Yangzhou plants establish mutual trust and neighborly relationships with New Village community (combined by Wanbor and Huahsin communities) at Yizheng, by means of visiting the lonely elders, sponsoring the students in poverty and the like. FUPY also organized jointly with the local communities for the Environment Day promotion themed 'taking part in garbage sorting for the future of a better home town,' and donated epidemic prevention materials and condolences to the community during the outbreak of COVID-19.</p>				

#### 4.6 Implementation of Business Conduct Policy

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
<p>1. Establishment of business conduct policy and plan</p> <p>(1) Has the Company adhered to the business conduct policy explicitly set out in its regulations and external documents, supported by the active commitment of the Board of Directors and Management to its implementation?</p> <p>(2) Has the Company established risk assessment mechanism for regular analysis and evaluation, as precautionary measures against the high-risk unethical business activities according to Article 7-2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" ?</p> <p>(3) Has the Company taken and carried out any precautionary measures, conduct guidelines, disciplines or grievance to prevent the unethical business?</p>	V		<p>(1) The Company has the amendment to the "Best Practice Principles" and "Codes of Ethics" approved at the Board meeting. For implementation, the Company has both publicized at the company website, and promoted thru internal meetings and daily operation.</p> <p>(2) The Company's precautionary measures against unethical business include:</p> <ul style="list-style-type: none"> <li>a) The standards for offer or acceptance of unjust interests.</li> <li>b) The procedure for offering legitimate political donations.</li> <li>c) The procedure for offer of righteous charity donations or sponsorship.</li> <li>d) The stipulation for the avoidance of conflicts of post related interests.</li> <li>e) The non-disclosure stipulation on procured business confidentiality or sensitive commercial information.</li> <li>f) The norm and procedures for suppliers, clients and business counterparties involving in unethical business conduct.</li> <li>g) The procedure for the infringement of the business best practice principles.</li> <li>h)The discipline disposal for infringement.</li> </ul> <p>The Company has relevant management procedures stipulated according to the above-mentioned measures, as risk prevention.</p> <p>(3) The Company has established the business culture in the best practice and precaution against unethical business by promoting periodical employee training and requiring the compliance and respect of stakeholders on the ethics and best practice principles. Relevant stipulations are disclosed at the company website. (<a href="https://www.oucc.com.tw">https://www.oucc.com.tw</a>)</p>	None



Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
<p>2. Implementation of the Codes of Business Conduct</p> <p>(1) Does the Company get the access to the ethical conduct records of its counterparts and specify "ethical clauses" in business contracts?</p> <p>(2) Has the Company established dedicated unit under supervision of the Board to promote corporate ethical management and to report accordingly to the Board of the implementation status?</p> <p>(3) Does the Company promulgate policies to prevent conflicts of interests and offer channels for reporting such conflicts?</p>	V		<p>(1) The Company, on the premise of Codes of Business Conduct, complies with the relevant laws &amp; regulations governing listed companies to fulfill ethical business. The legitimacy of the Company's agents, vendors, clients or business counterparties will be considered before trading to avoid the occurrence of unethical business in advance. If violated, all rights and cooperation with the clients, agents, contractors, vendors, public officials or other stakeholders will be terminated.</p> <p>(2) Pursuant to The Company's Best Practice Principles, the corporate governance officer, which is assigned by the Board, and the human resources dept. are in charge of the formulation and supervision of the best practice policy and precautionary measures to prevent any unethical manners and risks, in accordance with the Best Practice Principles approved by the Board; coupled with the best practice policy promulgation and training, and the whistle-blowing mechanism to conduct implementation evaluation for the Board and the management, and report to the Board once a year.</p> <p>(3) The Company has stipulated the "Discipline and Remedy for Violation of Codes of Ethics and Best Practice Principles", as a guideline. The Company tolerates no violation. Any employee obtains, or intends to obtain, improper benefit for oneself and others at the cost of the Company by using one's position or authority shall be dismissed, and shall unconditionally indemnify the Company for all losses occurred.</p> <p>An appeal system is established in the Company. Any of the employees being accused to violate the Guidelines may appeal for remedy via the system.</p>	None

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(4) Has the Company established an effective operation of the accounting and internal control system, and periodically conducted internal audits by internal auditors, or audited by CPA?	V		(4) The Company's accounting and internal audit departments have set up an effective accounting and internal control system for regular review and verification on the info validity and transparency. Pursuant to "Regulation Regarding Establishment of Internal Control Systems by Listed Companies" and the "Best Practice Principles", the internal auditing dept. has set up the internal control system and report periodically the compliance results based on the annual audit plan and risks assessment examination and have it submitted to the Audit Committee and Board of Directors.	None
(5) Does the Company periodically conduct the internal and external training on ethical management?	V		(5) The Company conducts periodically the training and promulgation for the sales units and the business engaged personnel, to manifest its implementation in ethical management to the stakeholders. The "Best Practice Principles", "Codes of Ethics" and relevant rules are publicized at the Company's website.	
3. Establishment of Reporting Channels for Violations of the Codes of Business Conduct				None
(1) Has the Company established a specific reporting and reward system through convenient channels for lodging complaints? And, does the Company assign the dedicated personnel to attend to the matter?	V		(1) The Company has established multi communication channels for reporting of the unethical business conduct, following the guideline of the stipulated Discipline and Remedy for Violation of Codes of Ethics and Best Practice Principles. The personnel who discover the violation of such may report to the department manager, internal auditing officer, HR department or other appropriate manager of the Company.	
(2) Has the Company established the standard operation procedure for investigating and proceeding of the report in a confidential manner?	V		(2) The Company's whistle-blowing methods abide by the Discipline and Remedy for Violation of Codes of Ethics and Best Practice Principles, with the investigation conducted through independent channel to ensure the ID protection of the whistle blower and the content of the report.	

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principle for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(3) Does the Company adopt measures to protect whistle blowers from reprisals for having filed the complaint report?	V		(3) The Company preserves the ID of the whistle blower and the content of the report in confidential to keep the whistle blower from improper disposal.	None
4. Enforcement of Information Disclosure				
Has the Company disclosed its "Best Practice Principles" and the implementation through its official website or the Market Observation Post System?	V		The "Best Practice Principles" and "Codes of Ethics" of the Company are fully disclosed on its official website ( <a href="https://www.oucc.com.tw/en/governance-73-page85">https://www.oucc.com.tw/en/governance-73-page85</a> ) and the Market Observation Post System.	None
5. If the Company has established its ethical business best practice principles in accordance with the "Ethical Business Best-Practice Principles for TWSE/GTSM Listed Companies," clearly describe the function of such principles and any discrepancies in ethical business best-practice principles: None				
6. Other important information regarding the Company's operation in ethical business best-practice, such as the reviewing and amending of the Company's business best-practice principles and so on: The Company adheres to its management philosophy for integrity, transparency and responsibility, to formulate the policy based on ethical business, and established fair corporate governance and risks control mechanisms to create and sustain the business environment. Before engaging in any business transactions, the Company will consider the validity of agents, vendors, customers or other trading counterparties and whether they hold an ethical business record or not. The Company will avoid engaging in transactions with any party that has an unethical business record.				

**4.7 Disclosure of access to Company Corporate Governance Best Practice Principles and related rules and regulations:**

- 4.7.1 Information on the Company website <https://www.oucc.com.tw/en/governance-71-page88> is periodically updated.
- 4.7.2 The information posted on the website is collected and maintained by the dedicated personnel. The disclosed information about finance and minutes of the meetings with institutional investors will be posted on the website and be accessible to the public.

**4.8 Other information enabling a better understanding of Company corporate governance:**

- 4.8.1 Employee rights and interests: The Company not only secures employees legal rights and interests pursuant to the law, but also provides all sorts of welfare, on-job trainings, and pension & retirement plan.
- 4.8.2 Staff care: The Company provides employees with an annual health examination, employee group insurance, and safety & health training, and encourages various club activities, offers urgent relief measures, attends to colleagues' physical and mental health and life balance through a Vocational Labor Welfare Commission.

- 4.8.3 Investor relations: The Company has delegated spokesman, acting spokesman, and stock service agent Oriental Securities Corporation to handle suggestions or questions from shareholders. An investor relation section has also been established at the Company’s website for the delegated IR to respond to investors enquiries
- 4.8.4 Vendor relations: Apart from the formulated supplier management procedures requiring vendors’ compliance to the issues of environment protection, safety and health, etc., suppliers are also requested to sign the Statement of Suppliers Collaborative Dedication to the Enhancement of Corporate Social Responsibility.
- 4.8.5 The rights of stakeholders: The dedicated investor relation section on the website provides questionnaire and email contact for IR representative to compile and respond to the critical issues from the stakeholders at all time.
- 4.8.6 The status of advance education of Directors:  
 (1) The continued advanced program of Directors is as follows:

Job title	Name	Date of continued education		Organizer	Course name	Hours
		from	to			
Chairman of the Board	Douglas T. Hsu	2021.9.8	2021.9.8	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Workshop -- Corporate Digital Transformation	3hrs
		2021.11.10	2021.11.10	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Workshop	3hrs
Vice Chairman of the Board	Johnny Shih	2021.9.8	2021.9.8	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Workshop -- Corporate Digital Transformation	3hrs
		2021.11.10	2021.11.10	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Workshop	3hrs
Directors	Humphrey Cheng	2021.9.8	2021.9.8	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Workshop -- Corporate Digital Transformation	3hrs
		2021.11.10	2021.11.10	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Workshop	3hrs
	Kao-Shan Wu	2021.9.8	2021.9.8	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Workshop -- Corporate Digital Transformation	3hrs
		2021.11.10	2021.11.10	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Workshop	3hrs
	Justin Tsai	2021.9.1	2021.9.1	Financial Supervisory Commission R.O.C.	The 13 <sup>th</sup> Taipei Corporate Governance Forum	3hrs
		2021.9.8	2021.9.8	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Workshop -- Corporate Digital Transformation	3hrs
	Eric Chueh	2021.9.8	2021.9.8	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Workshop -- Corporate Digital Transformation	3hrs
		2021.11.10	2021.11.10	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Workshop	3hrs

Job title	Name	Date of continued education		Organizer	Course name	Hours
		from	to			
Directors	James Chou	2021.9.8	2021.9.8	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Seminar -- Corporate Digital Transformation	3hrs
		2021.11.10	2021.11.10	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Workshop	3hrs
		2021.12.22	2021.12.22	Accounting Research & Development Foundation	False Financial Reports and Responsibility of Directors, Supervisors and Managers	3hrs
		2021.12.24	2021.12.24	Taiwan Corporate Governance	Fraudulent Cases Study of Corporate Financial Statement	3hrs
	Bing Shen	2021.9.8	2021.9.8	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Seminar -- Corporate Digital Transformation	3hrs
		2021.11.10	2021.11.10	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Workshop	3hrs
Independent Directors	Walt Cheng	2021.9.8	2021.9.8	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Seminar -- Corporate Digital Transformation	3hrs
		2021.12.22	2021.12.22	Accounting Research & Development Foundation	False Financial Reports and Responsibility of Directors, Supervisors and Managers	3hrs
	C.T. Chan	2021.9.10	2021.9.10	Securities & Futures Institute (SFI)	Corporate Governance Advanced Seminar for Directors, Supervisors (incl. Independent Directors) and Corporate Governance Officers	3hrs
		2021.10.1	2021.10.1	Securities & Futures Institute (SFI)	Corporate Governance Advanced Seminar for Directors, Supervisors (incl. Independent Directors) and Corporate Governance Officers	3hrs
	Ping Lih	2021.9.8	2021.9.8	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Seminar -- Corporate Digital Transformation	3hrs
		2021.11.10	2021.11.10	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Workshop	3hrs

(2) The advanced program of Corporate Governance Officer is as follows:

Job title	Name	Date of continued education		Organizer	Course name	Hours
		from	to			
Vice President of President Office (Corporate Governance Officer)	Victoria Peng	2021.9.1	2021.9.1	Financial Supervisory Commission R.O.C.	The 13 <sup>th</sup> Taipei Corporate Governance Forum	3hrs
		2021.9.8	2021.9.8	Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Workshop -- Corporate Digital Transformation	3hrs
		2021.11.3	2021.11.3	Securities & Futures Institute (SFI)	2021 Insider Trading Prevention Promotion	3hrs
		2021.12.22	2021.12.22	Accounting Research & Development Foundation	False Financial Reports and Responsibility of Directors, Supervisors and Managers	3hrs
		2021.12.24	2021.12.24	Taiwan Corporate Governance Association (TCGA)	Fraudulent Cases Study of Corporate Financial Statement	3hrs

4.8.7 The implementation in risks management policy and measuring standard

The Company’s implementation in risks management and each accountable unit:

- (1) Audit: Set up risks-oriented annual auditing plan, accountable for revision of the internal control system and the proceeding of auditing.
- (2) Financial affairs: Established electronic financial platform to provide clear financial info, operation analyses and credit management review.
- (3) The Company has established “Credit Commission”, which is chaired by President the Chief Commissioner and composed of the management of Auditing Dept., Finance Dept., Accounting Dept., and Sales Dept., to review customers’ status before deciding the credit ratings and allowances on regular basis. The commission is also in charge of the continual monitor and control of each credit account and account receivables, in order to achieve the target of “zero bad debt”.
- (4) IT security: please refer to p86-p87 Information and Telecommunication Security Management of detail.

4.8.8 The implementation status of customer policy: The Company adheres to a management philosophy that highlights "Sincerity, Diligence, Thrift, Prudence and Innovation", and follows up products and service satisfaction as a reference for the continuous improvement of business strategies, and also maintains a fair and stable cooperative relationships with customers.

4.8.9 The Company’s purchase of liability insurance for Directors: The Company’s Directors have been conducting according to law. The Company has amended its Articles of Incorporation and Corporate Governance Principles, and purchased the liability insurance for Directors as well as the Management.

#### 4.8.10 Employees code of conduct and ethics

“Sincerity, Diligence, Thrift, Prudence and Innovation” has not only been the management philosophy to the Company, but the principle of conduct to the employees. The code of conduct and ethics of the Company were notified publicly after resolved by the Board, and submitted to the Shareholders’ Meeting for approval.

- (1) All employees joining the company shall sign the “Letter of Undertaking” which shall be included in the employees’ personnel file. The Undertaking primarily declares the employees' consent to comply with Company regulations, personnel management rules and non-disclosure with respect to Company business confidentiality. The contents of public information are accessible to all employees at all times.
- (2) The employee code of conduct and ethics is summarized as below:  
The work rules include: (a) general provisions (b) employment (c) service, vacation leave, breaks, special leave (d) application for leave (e) salary and wages (f) year-end bonus (g) safety, health, welfare, pension, occupational disaster compensation (h) discipline (i) performance and reward & punishment (j) resignation, termination of employment, lay-offs (k) retirement (l) supplementary provisions.
- (3) The non-disclosure agreement consists of: (a) definitions of confidential information (b) non-disclosure obligation (c) legal consequence and liability of default (d) effect of termination of employment (e) concession of rights (f) applicable laws and jurisdiction.

#### 4.8.11 Succession planning for Board of Directors and important management of the Company:

The company's current Board of Directors is composed of 11 Directors (including 3 Independent Directors), all of whom have chemical or accounting-related majors and experience, as well as outstanding capabilities in operational judgment, management, international market perspective, and crisis management.

The nomination and selection of board members adopt a candidate nomination system, evaluate the academic & vocational experiences of each member, and comply with the " Election Procedures of the BoD" and "Corporate Governance Principles" to ensure that diversity, independence, and the opinions of stakeholders are taken into consideration. The company’s Director’s succession plan is rigorously focused on outstanding abilities in expertise and diversity. Pursuant to the diversified talent policy, the Company also schedules the exclusive courses for Directors to cope with the volatile international competition management environment and laws accordingly.

To achieve the sustainable goal, the company’s current major management officers include President, Vice Presidents and Managers, who are included and evaluated according to the managerial succession plan in accordance with the annual overall business objectives and the medium and long-term development needs of the Company.

The company continues to integrate manpower to implement the development of succession echelon, strengthen the smooth operation of each department, adjust the organizational structure in a timely and appropriate manner and mobilize potential talents, so as to cultivate successor talents' understanding of the expanded depth and breadth of their positions. The successor candidates have outstanding professional strength, potential for multi-faceted development and

the ability to make decisions and judgments. Their values must also conform to the Company’s corporate spirit of “Sincerity, Diligence, Thrift, Prudence and Innovation;” in terms of cultivation, plan multi-diversified professional and business management courses and practices, and strive to inherit and move into the future with a solid and steady pace.

4.8.12 The Company passed the “Procedures for Handling Material Inside Information” at the 2<sup>nd</sup> meeting of the Board of Directors of the 15th term on August 7, 2018. The Company has also propagated the following:

- (1) The "Procedures for Handling Material Inside Information" shall be provided to new Managers upon signing the “Letter of Undertaking”.
- (2) When reporting any changes in equity the Company should already have given the Managers the "Procedures for Handling Material Inside Information" and also the relevant laws and regulations governing insider trading.
- (3) The Company's Managers and employees shall also sign the non-disclosure agreement when they are appointed and the Company shall provide all employees with the "Procedures for Handling Material Inside Information".

4.8.13 Relevant licenses issued by the competent authority to the personnel related to transparency of the financial information of the Company and its subsidiary:

Category	Licenses	Number of Person
Accounting / Taxation	The R.O.C. CPA	2
	The P.R.C. CPA	1
	International internal auditor	5
	International internal control self-assessment specialist	1
	The R.O.C. bookkeeper	5
Finance	Securities investment analyzer	3
	Senior securities specialist	5
	Securities specialist	4
	Futures specialist	4
	Trust personnel	4



#### 4.9 Status of internal control system

##### 4.9.1 Internal Control Declaration

### Oriental Union Chemical Corporation Ltd. Declaration of the International Control System

Date: Mar 7, 2022

The Company inspected the 2021 internal control system autonomously with the following results:

1. The Company is fully aware that the Board of Directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it has been established accordingly. The purpose of its establishment was to reasonably ensure the fulfillment of effective operation and efficiency (including profit, performance, and protection of assets safety), and the reliability, timeliness, transparency and regulatory compliance of financial reports.
2. The internal control system design has inherent limitations. No matter how perfect such control is, it can only provide reasonable assurance of the fulfillment of the three objectives referred to above. The effectiveness of such an internal control system could be influenced by changes of the environment and other circumstances. Therefore, the Company internal control system has been designed with a self-monitoring mechanism so that corrective action will be activated immediately upon the identification of any nonconformity.
3. The Company has assessed the effectiveness of the design and implementation of the internal control system in accordance with criteria provided in the “Regulations Governing the Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as “the Regulations”). The criteria defined in “the Regulations” include five elements that depend on the management control process: (1) environment controls, (2) risk assessment, (3) control processes, (4) information and communications, and (5) supervision. Each of the five elements is then divided into sub-categories. Please refer to “the Regulations” for details.
4. The Company has implemented criteria for inspection of the internal control system referred to above to ascertain its effectiveness, design and implementation.
5. The Company, based on the inspection results referred to above, declared (on December 31, 2021) that the internal control system, including the supervision and management of subsidiaries, is reasonably effective and achieves the objectives of operation and efficiency, the financial report is of reliability, timeliness, transparency and regulatory compliance.
6. The Declaration of Internal Control System is the main content of the Company’s annual report and published prospectus. Any false statement and concealment of the published content referred to above involves liability set out in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
7. The Declaration of the Internal Control System was resolved at the meeting of the Board of Directors on March 7, 2022 with no objections by any of the eleven attending Directors. The contents of the declaration have been accepted without objection.

Oriental Union  
Chemical Corporation Ltd.



Chairman: Douglas T. Hsu

徐旭東



President: Justin Tsai

蔡錫津



4.9.2 The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: N/A

**4.10 Punishment of the Company or its internal personnel in accordance with the law, punishment of internal personnel by the Company for violating internal control system regulations, main deficiencies, and improvements during the recent year and up to the date of publication of this annual report: N/A**

**4.11 Resolutions reached at a meeting of shareholders or by the Board of Directors during the recent year and up to the date of publication of this annual report:**

3.11.1 Shareholders Meeting

Meeting time	Major resolution	Status
2021.7.15	<p><u>Report</u></p> <p>(1) Business Report 2020 (2) Financial Statements 2020 (3) The Supervisors' review report on 2020 Business Report and Financial Statements</p> <p><u>Recognition</u></p> <p>(1) Approval of the Company's business report and financial statements 2020 (2) Approval of the Company's 2020 deficit offset</p> <p><u>Discussion &amp; Election</u></p> <p>(1) Reelection of Board of Directors (incl. Independent Directors)</p> <p>(2) The release of relevant Directors from the non-competition restriction under the Article 209 of Company Law</p>	<p>Approved and proceeded accordingly.</p> <p>Approved and proceeded accordingly.</p> <p>The reelected Board of the 16<sup>th</sup> term composes of 11 Directors (incl. 3 Independent Directors), the registry for change was approved by the Ministry of Economic Affairs under Chi-So-Sun-Tze No. 11001134000 dated 6 August 2021.</p> <p>Approved and proceeded following shareholders' meeting resolution.</p>

4.11.2 Board of Directors Meeting

Term of the Board/ Meeting Date	Major resolution	Items regarding Article 14-3 of Securities & Exchange Act	The objected or qualified opinion of the Independent Director
12 <sup>th</sup> meeting of 15 <sup>th</sup> term 2021.3.18	<ol style="list-style-type: none"> <li>1. Approval of the Company's 2020 financial report (including individual report) and appointment of CPAs</li> <li>2. Approval of the Company's 2020 deficit offset</li> <li>3. Approval of the Company's 2020 business report</li> <li>4. Approval of the Company's 2020 Internal Control System Declaration</li> <li>5. Approval of the Company's reelection of the Board</li> <li>6. Approval of the proposal for the convening of 2021 shareholders' annual general meeting</li> <li>7. Approval of the Company's establishment of Corporate Governance Officer</li> <li>8. Approval of the proposal for the 2021 operating and capital budget</li> </ol>	V V V V V V V	Approved unanimously by the attended Directors
13 <sup>th</sup> meeting of 15 <sup>th</sup> term 2021.5.4	<ol style="list-style-type: none"> <li>1. Approval of the Company's Board candidate nomination</li> <li>2. Approval of the release of relevant non-competition restriction on the Company's Board of Directors</li> <li>3. Approval of the Company's periodical assessment on the independence and competence of the CPAs</li> <li>4. Approval of the Company's investment in establishment of the product line &amp; plant of semiconductor-grade CO<sub>2</sub></li> </ol>	V V	
14 <sup>th</sup> meeting of 15 <sup>th</sup> term 2021.6.17	<ol style="list-style-type: none"> <li>1. Approval of the proposal for the convening of 2021 shareholders' annual general meeting</li> <li>2. Approval of the Company's long term LCO<sub>2</sub> sales contract with HK Hi-Tech Co. Ltd. for the use of TSMC in high level process</li> </ol>	V	
1 <sup>st</sup> meeting of 16 <sup>th</sup> term 2021.7.15	<ol style="list-style-type: none"> <li>1. Approval of proposal for the selection of the Chairman and Vice Chairman of the Board</li> <li>2. Approval of the Company's President appointment</li> <li>3. Approval of the Company's appointment of managers and up</li> <li>4. Approval of the release of relevant managers from the non-competition restriction under the Article 209 of Company Law</li> </ol>	V V V V	
2 <sup>nd</sup> meeting of 16 <sup>th</sup> term 2021.7.27	<ol style="list-style-type: none"> <li>1. Approval of the Company's appointment of Remuneration Committee members</li> </ol>	V	
3 <sup>rd</sup> meeting of 16 <sup>th</sup> term 2021.11.5	<ol style="list-style-type: none"> <li>1. Approval of the Company's 2022 auditing plan</li> <li>2. Approval of the proposal for the 2022 expenditure capital budget and catalyst requisition</li> <li>3. Approval of the Company's proposal for the change of organization structure and personnel</li> <li>4. Approval of the change of the Company's Financial Officer</li> </ol>	V	

Term of the Board/ Meeting Date	Major resolution	Items regarding Article 14-3 of Securities & Exchange Act	The objected or qualified opinion of the Independent Director
4 <sup>th</sup> meeting of 16 <sup>th</sup> term 2022.3.7	1. Approval of 2021 Directors' remuneration and employees' compensation 2. Approval of the Company's 2021 financial report 3. Approval of the Company's 2021 profit allocation 4. Approval of the Company's 2021 business report 5. Approval of the Company's 2021 Internal Control System Declaration 6. Approval of the amendment to the Company's Articles of Incorporation 7. Approval of the amendment to the Company's "Procedures for BoD Election" 8. Approval of the amendment to the Company's "Procedures for Capital Lending to Others" and "Procedures for Endorsements and Guarantees" 9. Approval of the amendment to the Company's "Procedures for Requisition and Disposal of Assets" 10. Approval of the amendment to the Company's ESG policy 11. Approval of the proposal for the convening of 2022 annual shareholders meeting 12. Approval of the Company's 2022 operating and capital budget	V  V V  V  V  V  V	Approved unanimously by the attended Directors
5 <sup>th</sup> meeting of 16 <sup>th</sup> term 2022.4.26	1. Approval of the change of CPA and Company's periodical assessment on the CPAs' independence and competence 2. Approval of the Company's consolidated financial report Q1/2022 3. Approval of the amendment to the Company's "Meeting Rules of Shareholders" 4. Approval of the changes in the method and reason for convening of the Company's 2022 annual shareholders meeting 5. Approval of the Company's acquisition of common shares of Oriental Petrochemical (Taiwan) Corp.	V  V  V	

**4.12 Recorded or written statements of dissent made by any Director or Supervisor to important resolutions passed by the Board of Directors during the recent year and up to the date of publication of this annual report: N/A**

**4.13 Summary of discharge and resignation of parties relating to the annual report (Chairman, President, Accounting Officer, Financial Officer, Internal Auditing Officer, Corporate Governance Officer and R&D Officer) in the recent year and up to the date of publication of this annual report:**

Job title	Name	Date of appointment	Date of discharge	Reason for resignation or discharge
Financial Officer	Judy Wang	2010/01/01	2021/12/01	Job Adjustment

## 5. CPA professional fee

### 5.1 Breakdown of CPA professional fee

Currency unit: NTD thousand

Firm Name	CPA Name		Duration of Audit	Audit Fee	Non-Audit Fee	Total	Remark
Deloitte & Touche Taiwan	Hsin-Wei Tai, CPA	Yu-Wei Fan, CPA	2021.01.01 ~ 2021.12.31	3,370	235	3,605	Tax compliance audit, full-time salary of non-managerial staff

**5.2 In the case of a change of CPA firm and the audit fees for the year of the change are less than those of the previous year, please specify the audit fees before and after the change, and the reasons for the change:** Nil

**5.3 In the case of the audit fees being 10% less than that of the previous year, please specify the audit fees before and after the change, and the reasons for the change:** N/A

## 6. CPA replacement

### 6.1 Former CPA

2020 – 2021: N/A

2022:

Date of change	April 26, 2022		
Reasons for the change and descriptions	To secure the independence of CPA, Deloitte & Touche Taiwan implements its practice in internal rotate mechanism.		
Audit report with opinion other than those audited reports with an unqualified opinion issued in the recent two years, and reasons for issue of the report.	No		
Dissidence with the issuer?	Yes		Accounting principles or practices
			Disclosure of financial statement
			Scope or step of audit
			Others
	No	√	
	Notes		
Supplementary Disclosure (Disclosures specified in Article 10.6.1.4~7 of the Standards)	No		

### 6.2 Successive CPA

2020 – 2021: N/A

2022:

Firm Name	Deloitte & Touche Taiwan
CPA Name	Li-Wen Guo
Date of appointment	Approved at the Directors' meeting on April 26, 2022
The accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the company's financial report, prior to the formal engagement of the successive certified public accountant	N/A
The successive certified public accountant's written opinion regarding the matters on which the Company did not agree with the former certified public accountant	N/A

**6-3 The former CPA's response to the Article 10.6.1 and 10.6.2-3 of the Standards: N/A**

**7. Information regarding the Chairman, President, and Financial or Accounting Manager of the company who has worked with the CPA firm which conducts the Audit of the Company or an affiliate of said firm in the recent year: Nil**

**8. Any transfer of equity interests and pledge of, or change in equity interest, by a Director, managerial officer, or shareholder with a stake of more than 10 percent.**

**8.1 Shareholding variation of Directors, managerial officers and major shareholders**

Unit: share

Job title (Note1)	Name	2021		Ending April 11	
		Shares increase (decrease)	Pledge shares increase (decrease)	Shares increase (decrease)	Pledge shares increase (decrease)
Chairman	Douglas T. Hsu	0	0	0	0
Director	Far Eastern New Century Corporation	0	0	0	0
Director	Yue Ming Trading Company	0	0	0	0
Director	Yu Li Investment Corporation	0	0	0	0
Director	Fu Da Transport Corporation	0	0	0	0
Director	Da Chu Chemical Fiber Co Ltd	0	0	0	0
Independent Director	C. T. Chan	0	0	0	0
Independent Director	Walt Cheng	0	0	0	0
Independent Director	Ping Lih	0	0	0	0
Managerial Officer	Justin Tsai	0	0	0	0
Managerial Officer	Victoria Peng	0	0	0	0
Managerial Officer	C. K. Tsai	0	0	0	0
Managerial Officer	Y. S. Chang	0	0	0	0
Managerial Officer	Martin Kuo	0	0	0	0
Managerial Officer	Allen Yu	0	0	0	0
Managerial Officer	Amy Cheng	0	0	0	0
Managerial Officer	James Lee	0	0	0	0
Managerial Officer	Daniel Yu (Note2)	0	0	0	0
Managerial Officer	William Chen (Note3)	0	0	0	0
Managerial Officer	Y. T. Ko (Note4)	0	0	0	0
Managerial Officer	David Huang (Note5)	0	0	0	0
Managerial Officer	Judy Wang (Note6)	0	0	0	0
Managerial Officer	Wen Fan Leu (Note7)	0	0	0	0
Managerial Officer	David Chiang (Note8)	0	0	0	0

Note 1: The scope of managerial officers shall be defined according to the Securities and Futures Bureau decree under Tai-Tsai-Cheng-3-Tze No. 0920001301 dated March 27, 2003.

Note 2: Daniel Yu of managerial officer appointed effective 1 December 2021

Note 3: William Chen of managerial officer appointed effective 1 December 2021

Note 4: Y. T. Ko of managerial officer appointed effective 1 December 2021

Note 5: David Huang of managerial officer appointed effective 10 January 2022

Note 6: Judy Wang of managerial officer retired effective 1 January 2022

Note 7: Wen-Fan Leu of managerial officer retired effective 1 June 2021

Note 8: David Chiang of managerial officer appointed effective 1 December 2021

**8.2 Shareholding transferred (while the counterparty is a related party): N/A**

**8.3 Shareholding pledged: N/A**

9. Top 10 shareholders and their relationships:

11 April, 2022 unit: share

Name	Current shareholding		Spouse and minor children's shareholding		Shareholding in name of others		Name, relationship of top 10 shareholders being the related party as spouse or kin within the second tier under the Civil Code		Remark
	Quantity of shares	Share holding	Quantity of shares	Share holding	Quantity of shares	Share holding	Name	Relationship	
Far Eastern New Century Corp  Representative: Douglas T. Hsu	81,217,005  1,664,781	9.16%  0.19%	0  0	0%  0%	0  0	0%  0%	Yuan Ding Investment Co Ltd Asia Cement Corp Yuan Tung Investment Co Ltd Kai Yuan International Investment Co Ltd Ding Yuan Investment Co Ltd An He Apparel Co Ltd N/A	Note 1, Note 3 Note 1, Note 2, Note3 Note 1 Note 1, Note 3 Note 1 Note 1 N/A	
Yuan Ding Investment Co Ltd  Representative: Douglas T. Hsu	70,817,684  1,664,781	7.99%  0.19%	0  0	0%  0%	0  0	0%  0%	Far Eastern New Century Corp Asia Cement Corp Yu Yuan Investment Co Ltd N/A	Note 2, Note 3 Note 1, Note 3 Note 1 N/A	
Asia Cement Corp  Representative: Douglas T. Hsu	63,766,522  1,664,781	7.19%  0.19%	0  0	0%  0%	0  0	0%  0%	Far Eastern New Century Corp Yuan Ding Investment Co Ltd Yu Yuan Investment Co Ltd Yuan Tung Investment Co Ltd Kai Yuan International Investment Co Ltd Ding Yuan International Co Ltd N/A	Note 1, Note 2, Note 3 Note 2, Note 3 Note 1 Note 2 Note 2 Note 2 N/A	
Yuan Tung Investment Co Ltd  Representative: C. C. Wang	49,705,396  0	5.63%  0%	0  0	0%  0%	0  0	0%  0%	Far Eastern New Century Corp Asia Cement Corp N/A	Note 2 Note 1 N/A	
Yu Yuan Investment Corp  Representative: C. M. Chen	33,224,017  0	3.75%  0%	0  0	0%  0%	0  0	0%  0%	Asia Cement Corp Yuan Ding Investment Co Ltd N/A	Note 2 Note 2 N/A	
Kai Yuan International Investment Co Ltd  Representative: Humphrey Cheng	32,473,173  941	3.67%  0%	0  0	0%  0%	0  0	0%  0%	Far Eastern New Century Corp Asia Cement Corp Tong Fu Investment Corp N/A	Note 2, Note 3 Note 1 Note 3 N/A	



Name	Current shareholding		Spouse and minor children's shareholding		Shareholding in name of others		Name, relationship of top 10 shareholders being the related party as spouse or kin within the second tier under the Civil Code		Remark
	Quantity of shares	Share holding	Quantity of shares	Share holding	Quantity of shares	Share holding	Name	Relationship	
Ding Yuan International Co Ltd  Representative: M. H. Tsai	27,365,495  0	3.09%  0%	0  0	0%  0%	0  0	0%  0%	Far Eastern New Century Corp Asia Cement Corp N/A	Note 2 Note 1 N/A	
Ding Shen Investment Co Ltd  Representative : W. K. Chou	15,525,000  0	1.75%  0%	0  0	0%  0%	0  0	0%  0%	N/A N/A	N/A NA	
Labor Pension Committee of Far Eastern New Century Corp	12,271,816	1.39%	0	0%	0	0%	N/A	N/A	
An He Apparel Co Ltd  Representative: M. H. Tsai	11,204,000  0	1.26%  0%	0  0	0%  0%	0  0	0%  0%	Far Eastern New Century Corp N/A	Note 1 N/A	

Note 1: The investees who are evaluated under the equity method

Note 2: The investors whose investment in the Company is evaluated under the equity method.

Note 3: The Company for which the chairman or president is the chairman or president of another company, where a spouse or kin within the second tier is employed.

**10. The number of shares held by the Company and Company Directors, managerial officers and the entities directly or indirectly controlled by the Company in a single company, and calculating the consolidated shareholding percentage of the above categories.**

April 11, 2022 unit: 1000 shares

Investee (note)	Invested by the Company		Invested by Directors, management, and enterprises controlled by the Company directly or indirectly		Combined Investment	
	Quantity of shares	Shareholding	Quantity of shares	Shareholding	Quantity of shares	Shareholding
Tong Fu Investment Corporation	153,511	100%	0	0%	153,511	100%
Pacific Petrochemical (Holding) Ltd	148	100%	0	0%	148	100%
OUCC (Bermuda) Holding Ltd	104	100%	0	0%	104	100%



## IV. Capital Overview

### 1. Capital and shares

#### 1.1 Source of Capital

Unit: NTD thousand, 1000 shares

Year/ Month	Issuing Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital increased by assets other than cash	Others
2000/07	10	560,000	5,600,000	511,115	5,111,150	Recapitalization of capital surplus: 379,972		Note 1
						Capital increase in cash: 30,000		Note 2
2001/04	10	560,000	5,600,000	505,902	5,059,020	Cancelled treasury stock: 52,130		Note 3
2001/09	10	560,000	5,600,000	495,907	4,959,070	Cancelled treasury stock: 99,950		Note 4
2003/07	10	560,000	5,600,000	535,596	5,355,961	Recapitalization of retained earnings : 97,712		Note 5
						Recapitalization of capital surplus: 299,179		
2004/07	10	820,000	8,200,000	616,467	6,164,669	Recapitalization of capital surplus: 808,708		Note 6
2005/02	10	820,000	8,200,000	676,467	6,764,669	Capital increase in cash: 600,000		Note 7
2005/09	10	820,000	8,200,000	746,554	7,465,544	Recapitalization of capital surplus: 700,875		Note 8
2006/07	10	820,000	8,200,000	770,721	7,707,212	Recapitalization of capital surplus: 241,668		Note 9
2007/07	10	820,000	8,200,000	787,486	7,874,864	Recapitalization of capital surplus: 167,652		Note 10
2008/08	10	820,000	8,200,000	805,185	8,051,846	Recapitalization of capital surplus: 176,982		Note 11
2012/08	10	1,000,000	10,000,000	885,703	8,857,031	Recapitalization of capital surplus: 805,185		Note 12

Note 1: (89) Tai-Tsai-Cheng (1) No. 28043 dated March 30, 2000

Note 2: (89) Tai-Tsai-Cheng (1) No. 31633 dated April 25, 2000

Note 3: (90) Tai-Tsai-Cheng (3) No. 109337 dated March 9, 2001

Note 4: (90) Tai-Tsai-Cheng (3) No. 143329 dated July 19, 2001

Note 5: (92) Tai-Tsai-Cheng (1) No. 0920126972 dated June 18, 2003

Note 6: (93) Tai-Tsai-Cheng (1) No. 0930123783 dated June 28, 2004

Note 7: (93) Ching-Kuan-Cheng (1) No. 0930145975 dated October 19, 2004

Note 8: (94) Ching-Kuan-Cheng (1) No. 0940123773 dated June 14, 2005

Note 9: (95) Ching-Kuan-Cheng (1) No. 0950124903 dated June 19, 2006

Note 10: (96) Ching-Kuan-Cheng (1) No. 0960032441 dated June 27, 2007

Note 11: (97) Ching Kuan-Cheng (1) No. 09701200670 dated August 13, 2008

Note 12: Ching-Kuan-Fa-Tze No. 1010027826 dated June 22, 2012

Unit: share

Type of share	Authorized Capital Stock			Remark
	Outstanding Shares (listed)	Unissued Shares	Total	
Common stock	885,703,029	114,296,971	1,000,000,000	—

## 1.2 Self - Registration System: Nil

## 1.3 Composition of Shareholders

April 11, 2022

Quantity \ Composition of Shareholders	Government apparatus	Financial organization	Other juridical persons	Individuals	Foreign institution or foreigner	Total
Number of persons	10	17	125	68,164	142	68,458
Shares held when appointed	264,478	8,218,028	451,357,605	349,804,690	76,058,228	885,703,029
Shareholding	0.03%	0.93%	50.96%	39.49%	8.59%	100%

## 1.4 Distribution Profile of Share Ownership

April 11, 2022

Shareholders Ownership	Number of Shareholders	Number of Shares Owned	Shareholding
1 ~ 999	28,683	6,560,680	0.74%
1,000 ~ 5,000	28,102	63,140,914	7.13%
5,001 ~ 10,000	5,748	45,404,951	5.13%
10,001 ~ 15,000	1,836	23,023,312	2.60%
15,001 ~ 20,000	1,218	22,748,722	2.57%
20,001 ~ 30,000	1,039	26,754,462	3.02%
30,001 ~ 40,000	499	17,879,732	2.02%
40,001 ~ 50,000	319	14,927,808	1.69%
50,001 ~ 100,000	550	39,697,017	4.48%
100,001 ~ 200,000	236	33,286,866	3.76%
200,001 ~ 400,000	121	32,595,381	3.68%
400,001 ~ 600,000	34	16,852,302	1.90%
600,001 ~ 800,000	17	12,141,168	1.37%
800,001 ~ 1,000,000	5	4,735,672	0.53%
1,000,001 and above	51	525,954,042	59.38%
Total	68,458	885,703,029	100.00%

## 1.5 Major Shareholders

April 11, 2022 unit: share

Major Shareholders	Quantity of shares	Total shares owned	Shareholding ownership %
Far Eastern New Century Corp		81,217,005	9.16%
Yuan Ding Investment Co Ltd		70,817,684	7.99%
Asia Cement Corp		63,766,522	7.19%
Yuan Tung Investment Co Ltd		49,905,396	5.63%
Yu Yuan Investment Co Ltd		33,224,017	3.75%
Kai Yuan Int'l Investment Co Ltd		32,474,173	3.67%
Ding Yuan International Co Ltd		27,365,495	3.09%
Ding Shen Investment Co Ltd		15,525,000	1.75%
Labor Pension Committee of Far Eastern New Century Corp		12,271,816	1.39%
An He Apparel Co Ltd		11,204,000	1.26%

Note: 1. Top 10 shareholders  
2. A total of 885,703,029 shares

### 1.6 Market Price, Net Value, Earnings and Dividends per Common Share Latest two years

Item		Year	2020	2021	From 1 Jan 2022 to 31 Mar 2022
		Market price per share	Highest		21.50
Lowest			13.35	17.00	20.10
Average			17.34	21.74	22.56
Net value per share	Before distribution		13.88	14.71	14.87
	After distribution		13.88	(Note 1)	—
Earnings per share	Weighted average shares		871,949 thousand shares	872,947 thousand shares	876,594 thousand shares
	Earnings per share		(1.22)	1.03	(0.08)
Dividends per share	Cash dividend (Note 1)		—	0.70	—
	Stock dividend	From retained earnings (NT\$)	—	—	—
		From capital surplus (NT\$)	—	—	—
	Accumulated undistributed dividends		—	—	—
Analysis on investment return	Price/Earnings Ratio (Note 2)		—	21.11	—
	Price/Dividend Ratio (Note 3)		—	31.06	—
	Cash dividend yield (Note 4)		—	3.22%	—

Note 1: The profit allocation will be confirmed after approved by shareholders meeting resolution.

Note 2: Price/Earnings Ratio=Average Closing Price Per Share in current year/Earnings Per Share

Note 3: Price/Dividend Ratio=Average Closing Price Per Share in current year/Cash Dividend Per Share.

Note 4: Cash Dividend Yields=Cash Dividend Per Share/Average Closing Price Per Share in current year.

### 1.7 Dividend Policy and Implementation Status

1.7.1 Pursuant to the Article 34 of the Company's Articles of Incorporation, the Company's stock dividend allocation shall take into consideration of the changes in the outlook of Company business, and the life cycles of the various products or services, which have an impact on the future capital needs and taxation. Unless the need should arise for improvement of the financial structure and reinvestment, and production expansion or other major capital expenditure, the stock dividend shall be no less than 50% of the total net profit after tax and deduction of deficit compensation, legal reserve and special reserve, whereas the cash dividend shall be no less than 10% of the total of the shareholder bonuses distributed in the same year.

As of the example of the last three years, the cash dividend allocated have been in compliance with the Company's Articles of Incorporation, i.e. no less than 10% of the total shareholder bonuses distributed, such is as follows:

Unit: NTD per share

Year	Net earnings per share (A)	Cash dividend from retained earnings (B)	Cash dividend from capital surplus (C)	Total cash dividend (D)=(B)+(C)	Cash dividend distribution rate (B+C)/D
2019	0.04	0.30	0	0.30	100%
2020	(1.22)	0	0	0	0%
2021	1.03	0.70	0	0.70	100%



1.7.2 Dividend allocation proposal to be approved at the shareholders meeting 2022

The dividend allocation proposal resolved at the Board of Directors meeting at March 7, 2022 was to distribute NTD 0.7 per share out of the undistributed earnings NTD619,992,120 after approval by the shareholders meeting.

**1.8 Effect on Business Performance and EPS resulting from Stock Dividend distribution proposed by the 2022 Shareholders' meeting: N/A**

**1.9 Remunerations for Employees and Directors:**

1.9.1 The numeral and range of the Board's remuneration according to the Articles of Incorporation of the Company

When there is profit at the end of the year, the Company shall distribute 1%-2% of the profit as remuneration for employees and no more than 1% as remuneration for Directors. However, should there be accumulated losses, the losses should be offset in advance. The remuneration for employee can be in stock or in cash. Its actual proportion, amount, form or number of stock shall be resolved at the Board of Directors' meeting, with consent of over half of the least two thirds of total Directors attendant, and be approved at the Shareholders' meeting. Same shall be applied to the remuneration for Directors.

1.9.2 The accounting transaction to be followed when the current basis for estimating the amount of compensation for employees and Directors, and the basis for calculating the number of shares for employee compensation and the actual amount to be distributed be different from the estimation. The adjustment will be booked into account the following year pursuant to the accounting estimation changes management.

1.9.3 The proposed 2021 remuneration allocation

The remuneration allocation approved by the Board meeting held on 7 March 2022 prior to submission to the shareholders' meeting for approval is as below:

(a) The cash dividend/stock dividend to be allocated to employees and Directors are:

A. Employees remuneration: NT\$16,724,265 allocated as cash dividend

B. Directors remuneration: NT\$8,362,132 allocated as cash dividend

(b) The discrepancy, cause and treatment thereof, between estimation and actual allocation of bonuses to employees and Directors resolved at a meeting of the Directors: N/A

(c) Proposed percentage of employee stock dividend over the aggregate of earnings after tax and total employee remuneration: N/A

1.9.4 2020 remunerations to employees and Directors:

No remuneration was allocated due to the net income loss of 2020.

**1.10 Repurchase of Company Stock**

None in the recent year and up to the date of publication of the annual report.

**2. Issue of Corporate Bonds:** Nil

**3. Preferred Stock:** Nil

**4. Issuance of Overseas Depository Receipts:** Nil

**5. Employee Stock Options:** Nil

**6. Employee Restricted Stock Awards:** Nil

**7. Stock Issued for Mergers and Acquisitions:** Nil

**8. Implementation of Capital Utilization Plan**

The issue or private placement of securities not yet completed in the quarter before the date of publication of the annual report, or plans completed in the recent three years with no return on investment: Nil

## V. Operation Overview

### 1. Business Activities

#### 1.1 Business scopes

1.1.1 The Company's business lines are stated as following:

C801010	Basic chemical industry
C801020	Petrochemical engineering raw material manufacture
C801060	Synthetic rubber manufacture
C801100	Synthetic resin and plastics manufacture
C802060	Animal medication manufacture
CB01010	Machinery & equipment manufacture
F107070	Animal medication wholesale
F107200	Chemical raw material wholesale
F113010	Machinery wholesale
F401010	International trading
I103060	Management consultation
I501010	Product design
IC01010	Drug inspection
JE01010	Leasing
C802041	Western medicine manufacturing
C114010	Food additives manufacturing
ZZ99999	Any business unprohibited or restricted by laws or regulations, except for those that require special permission

1.1.2 Weight of consolidated company operations

Currency unit: NTD thousand

	2020		2021	
	Turnover	Operation ratio (%)	Turnover	Operation ratio (%)
EG	13,633,008	69	18,385,818	67
Gas	1,764,017	9	1,600,789	6
SC	4,249,428	22	7,480,073	27
Investment & others	49,447	—	15,039	—

1.1.3 Major business operations consolidated

- (1) Manufacture and sale of MEG, EO, DEG, etc.
- (2) Manufacture and sale of oxygen, nitrogen, argon, CO<sub>2</sub> and liquid gas products
- (3) Manufacture and sale of specialty chemicals such as EA, EC, EB, AEO, PEG, MPEG, TA, TM, etc.

1.1.4 New products under development

To meet with customers' requirements, the Company is developing the high value-added EO derivatives to be applied to functional textiles, UV curing monomers, PU, daily chemicals and industrial auxiliaries, etc.

With requirement in terms of environmental-friendliness and carbon reduction, the Company is actively developing surfactants containing recycled PET, and various CO<sub>2</sub> contained chemical raw materials.

## 1.2 Industrial overview

### 1.2.1. EG

#### (1) Industrial overview and development

The global demand volume of EG in 2021 totaled 33 million MT, of an annual growth rate 6%. China, with the largest market demand of 20 million MT, accounting for 61% of the global demand and 8% annual growth rate, depended still on an annual import of 8 million MT and more besides self-supply. As the pandemic impact mitigated, downstream demand of polyester returned, EG production shall remain steady.

#### (2) Correlation between up-, mid- and down-stream

The total global demand for ethylene was approx. 179 million MT in 2021, of which 15% was used for the production of EO and EG. The shutdown of petrochemical plants in South America resulted from the blizzards in February 2021 had the global impact on the balance of supply and demand, and China's dual control policy of energy consumption in H2/2021 caused the ethylene price to stay high. The price of feedstock in 2022 is expected to lower as additional capacity of the naphtha crackers is ready to launch.

EG is used up to 89% by polyester products primarily, which are composed of chemical fiber, polyester for bottles and film slitter and so on.

#### (3) Overall economy, product development trend and competition

With the pandemic impact on the demand, the 2021 global economy growth rate increased by 5.9% in comparison with the previous year. With the restructure and rising self-supply rate in China, the pandemic impact mitigated and the economy recovering, the future growth shall be steady.

Affected by international geopolitical conflicts in early 2022, the uprising oil prices made the catching up very slow for the petrochemical downstream products, and demand was weakened due to epidemic isolation. In H2/2022, new crackers in Asia and the United States shall launch operation one after another, and the unit price of raw material ethylene is expected to fall and maintain at a low level; as the demand for the downstream polyester industry of ethylene glycol gradually recovers, the price of ethylene glycol is expected to stabilize. In the future, the Company will continue to develop high-value ethylene oxide derivatives in response to market conditions to increase profits.

### 1.2.2 Gas

#### (1) Industrial overview and development

In 2021, due to the global impact of the epidemic, severe inflation in various countries disrupted the supply chain, hindering economic recovery. Taiwan, however, with proper prevention and control of the epidemic, coupled with the continued global demand for electronic products, was favored with the flooding in global orders, accelerating the expansion of up-, mid- and downstream production capacity of the semiconductor industry; whereas the traditional production industry was able to push up its production capacity utilization rate. To sum up, Taiwan's economic growth rate reached 6.28%, a record high in 11 years, along with the increase of gas demand. China, on the other hand, affected by the

domestic epidemic and the Sino-US trade policy conflict, went through a market downturn, highlighting the serious impact of gas business demand in China.

In 2022, with the gradual recovery of production activities in various countries, resulting from the restructuring of the disrupted global supply chain, Taiwan's industrial supply chain is reconnected timely to ensure of a successive economic growth, thus driving the growth of gas demand. In 2022, the dual control of energy consumption in China and the real estate storm shall inflict a downward pressure on its economy, hindering inevitably the growth of its gas market.

(2) Correlation between up-, mid- and downstream

In addition to the company's gas output, which fully supplies internal ethylene glycol (EG), ethanolamine (EA), and ethylene carbonate (EC) plants, oxygen and nitrogen are also supplied to customers in Linyuan, Dalin and Dafa Industrial Zones, with the remaining liquid products supplied mainly to domestic electronics, petrochemical, medical, food, steel and metal processing markets. To quickly respond to customer needs, the gas plant has a liquid gas storage tank with a capacity of 10,500 MT and up, and a remote liquid level/pressure transmission system fully installed. Based on such system, a smart car dispatching system and a big data analysis system will be developed to provide customers with more satisfactory and professional services.

The oxygen of Far Eastern Union Petrochemical (Yangzhou) Ltd. is provided for its internal usage, and the nitrogen is provided via pipelines to customers in Yizheng Chemical Park. The liquid oxygen, liquid nitrogen, liquid argon and other products are sold to customers in Eastern Chinas, in addition to Air Liquide Shanghai.

(3) Overall economy, product development trend and competition

In H1/2022, though the outbreak of a new variant of the virus, Omicron, brings changes to economic activities, it is estimated that the market's fear for the epidemic will eventually fade gradually. The continued growth in global demand for high-tech products will drive Taiwan's overall economic prosperity. Overall, the gas market demand in H2 shall be better than H1/2022, and shall continue its growth trend of 2021.

Due to the expansion of gas market demand, especially in semiconductor-related industries, the new business in the gas industry in 2022 will account for the majority of new ON-SITE plants. Although the liquid market has grown, the existing supply capacity remains sufficient.

1.2.3 SC

(1) Industrial overview and development

**EA :**

The combined ethanolamine production capacity totaled 100,000 MT, including 40,000 MT of FUPY (currently suspended). In addition to supplying downstream electronic solvents, detergents, resins, inks, textiles, cement and other industrial applications, the company's EA in Linyuan is also exported to Asia-Pacific, Europe, America, and Africa. Among which, the monoethanolamine provides domestically flexible and instant supply services to electronic lotion manufacturers, and users of triethanolamine can no longer be subject to the cumbersome import procedures of the United Nations Chemical Weapons Control (CWC) and obtain a stable supply of raw materials. The EA used for the detergents, cosmetics, concrete additives turned competitive in the international market. In terms of market demand



and application, the domestic electronic lotion and the cement industry in China have stable demand. It is estimated that the overall demand will remain flat in 2021 due to the post epidemic, financial, raw material fluctuations, and supply shortages in the first quarter. With little impact of the pandemic, the company's sales volume in 2021 was slightly higher than the previous year. In 2022, the company will expand its marketing with a stable channel and launch ultra-clean and high-purity ethanalamine products to supply customers of the semiconductor process cleaning solvents in Taiwan and Asia, to create the profit.

**EB:**

EB (Ethylene Glycol Butyl Ether) is applicable mainly to solvents for painting, printing ink, stamping ink, oil, resin, as well as metal detergent, paint remover, lubricant remover, automobile engine detergent, dry-clean solvent, and epoxy resin solvent, etc. Market requirement remains stable. The Company is the sole producer of EB in Taiwan, with production capacity of 30,000 MT per annum. In 2021, affected by the loss of production capacity in the Americas resulted from the epidemic, the total global demand for ethylene glycol butyl ether was approx. 900,000 to 950,000 MT, of 15% growth rate. Among which, the demand in China was 200,000 MT (including self-use), a decrease of 20%. It is expected that the overall demand will remain flat in 2022 due to the post epidemic, financial, raw material fluctuations, and supply shortages in the first quarter. With little impact of the epidemic, the company's sales volume grew by 15% in 2021. In 2022, the company will continue to optimize sales channels, develop and increase the application of high-purity products, and further increase sales to strive for the best profit.

**EC:**

The company's Ethylene Carbonate (EC), used mainly by polycarbonate (PC) producers as a raw material for compact discs, composite plastics, and other high-end applications, has a stable market demand. The Company's EC with the world's largest capacity 60,000 MT per annum applies the non-phosgene environmental protective production process using its own EO and recycled CO<sub>2</sub> as feedstocks, a dedicating effort of the company to the sustainability by reducing its GHG emission.

**EOD:**

The Company's two EOD plants, of total consolidated output capacity 146,000 MT, locate in Linyuan and Yangzhou, with respective output capacity of 800,000 and 660,000 MT. EOD products of the Company consist of AEO, which may be applied to synthetic detergent formulas and textile auxiliaries; PEG to detergents of daily chemicals, textile auxiliaries and electronic chemicals; MPEG and HPEG used in concrete water reducers and paper pulp auxiliaries; TA as auxiliaries in pesticides and textiles; TM used in UV curing resin; and other ethoxylates used in textile & dye process development and construction chemicals according to the strategic development of vertical integration of the Far Eastern Group, as well as new series of raw material and formulation required to be used in rubber latex, textile protection, agriculture, polyurethane, lubricant and the like. The ethoxylates of the company are primarily supplied to the down-stream industries such as daily chemicals, electronic chemicals, synthetic resins, textile and construction chemicals, which are highly correlative to the overall economy growth. In recent years, the demand of EOD has continued to boost in Asia, especially the emerging markets in China and South East Asia, following the escalating of the people's consumption level. Besides the domestic market demand, the company is actively developing its market abroad. In order to strengthen its competitiveness and stay close

to market demand, the company has been developing in recent years the high-end materials and formulation technologies, new products of the special alcohol ether and polyol series, and provided functional products of safe antibacterial, functional cleaning, environmental protection, waste reduction, and recycling to meet customers diversified demands, conducting to the increase of revenue and profit, with a getting completed product line.

The EOD plant of the FUPY in Yangzou is to mainly supply the China domestic market. Following the China economic development in the recent years, with the market demand focused on the expansion of its domestic requirement and the industrial upgrade, the FUPY has been proceeding with the expansion of new product lines to further develop other EOD products, besides its original AEO, to enhance the product competitiveness. The future of FUPY is well expected.

**EDA:**

The new product line of ethyleneamine in Linyuan, with self-produced monoethanolamine as feedstock and of 20,000 MT production capacity per annum, is scheduled to launch production in 2022. EDA can be widely applied in epoxy resin hardener, printing and dyeing, pesticide and pharmaceutical intermediate chelating agent and other markets. As the market demand of EDA has been increasing and the price soaring since 2021, the prospect of EDA product line of the company can be expected.

**PEA:**

The other new product line of polyetheramine in Linyuan, established with self-owned technology, is scheduled to launch production in 2022. PEA, with upstream raw material polyol outsourced and middle material self-produced, can be mainly applied in high-end epoxy resin hardeners, supplied mainly to downstream market of composite materials for wind power generation, which will immediately make up for the demand gap in the Taiwan market as the global shipping is crammed and the long-distance supply chain is tight.

(2) Correlation between up-, mid- and downstream

**EA:**

With EO as its major feedstock, the cost of EA has become tightly linked to the ethylene market, the up-stream of EO. EA has a variety of applications, primarily as a surfactant in household detergents, electronics solvents, wood preservatives, taurine, insecticides and herbicides, textiles and cement auxiliaries. In particular, the market demands of electronics solvents, and daily chemical auxiliaries, fluorescent whitening agents, insecticides and herbicides and cement auxiliaries have been stable. Besides the Taiwan and China markets, the EA products are sold to Asia Pacific, the Middle East, Africa and Europe.

**EB:**

The costs of EO and n-butanol, raw materials of EB, are of fair correlation with the market status of the up-stream ethylene and propylene. The main applications of EB include solvents, paint remover agent, lubricant remover agent, automobile engine detergent, dry-clean solvent, epoxy resin solvent and so on. The market demand is stable. The company is the sole producer of EB in Taiwan.

**EC:**

The company's EC plant adopts safe, eco-friendly and competitive production process using its own production of EO and recycled CO<sub>2</sub>, and mainly produced to satisfy the stable demand of the down-stream PC supplier, Chi Mei, in the production of polycarbonate (PC).

**EOD:**

With EO as a main feedstock self-supplied, coupled with other outsourced feedstock such as fatty amine and methanol for production. EOD is widely used by mid- and downstream markets as daily chemicals, textile auxiliary, medicine, construction, resin paint and electronics.

(3) Overall economy, product development trend and competition

**EA :**

For the time being, the company is the only domestic EA producer, with competitive vantage using self-produced EO as feedstock. The company owns 60% domestic market share, as EA demand from the electronics industry remains stable in Taiwan. The Company's future marketing strategy is to enhance domestic market share as well as exports to Asia, Europe and America. The Company's primary rivals include Nippon Shokubai (Japan), Optimal-Petronas (Malaysia), Thai Ethanolamines (Thailand), Sabic and Sadara (Saudi Arabia), and some other manufacturers in China, Europe and America. EA sales objective in 2022, besides enhancing marketing through domestic and overseas channels to maintain stable demand and supply, aims at upgrading EA product to semi-conductor level with high value for differentiated market sale, to survive the extreme competitiveness, creating better profit.

**EB:**

With EO and n-butanol as raw materials, EB is widely used as solvents with mid to high boiling point, which covers paints, printing ink, stamping ink, oil, resin solvents, metal detergent, paint remover, lubricant remover agents, automobile engine detergent, dry-clean solvent, and epoxy resin solvent, etc.

**EC:**

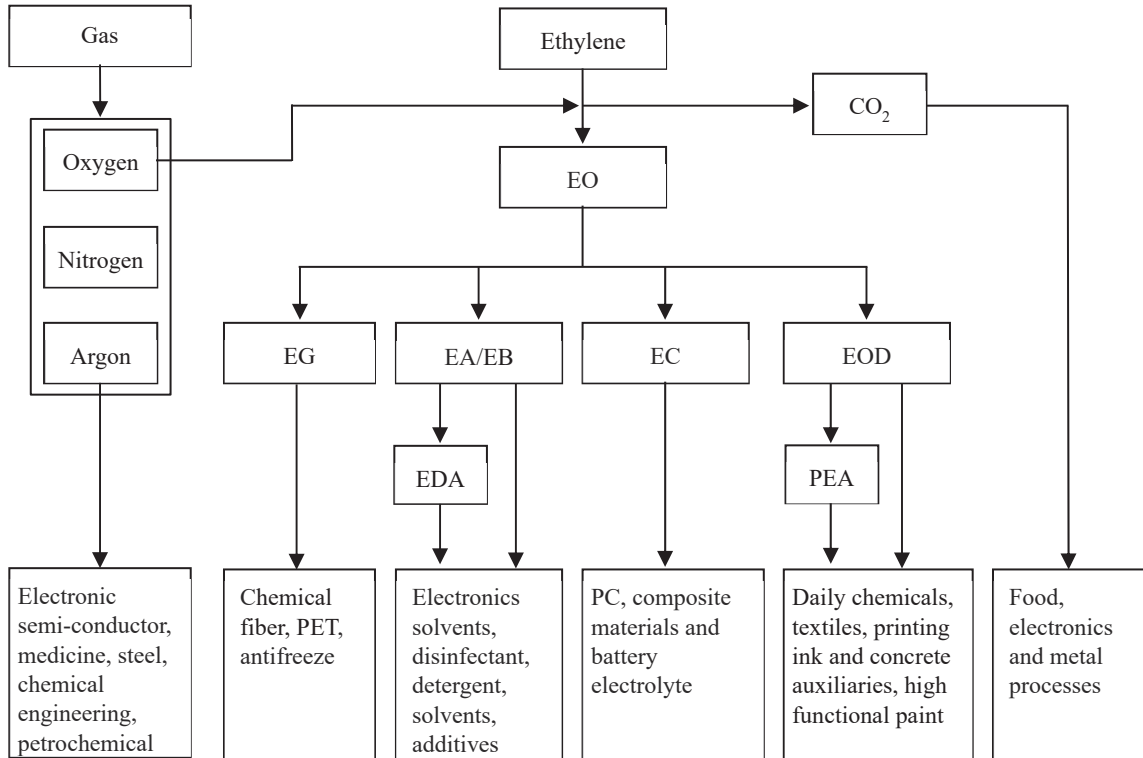
Due to the stable market demand for PC, EC is in steady development. Despite of PC, EC can also be applied to electrolyte of lithium battery, diesel additive, polyether polyols for PU, and so on. With its strength in safe production and eco-friendliness, EC obtains good potential.

**EOD:**

With self-owned EO as feedstock, the company's EOD, produced with advanced processing equipment, coupled with stable quality and strong technical service capability, has established its market share. Given that the domestic market scale is small and restricted, current EOD is prioritized to steadily supply domestic downstream customers, then to be exported to South East Asia, New Zealand and Australia, Middle East and Latin America, etc. On account of the rapid growth of China economy, EOD product demand in daily chemicals remains growing followed by the booming of consumption capability. However, as new capacity continues to launch the market becomes over-supplied. With more imported products of lower costs joining in, EOD margin isn't easy to maintain.

EOD plant of FUPY shall remain high operation rate in view of competition, and endeavor in marketing, development of new products and new customers, as well as business territory expansion to enhance overall advantages in China.

(4) Industry overview



**1.3 Technology and R&D overview**

The Company has always highly valued R&D, and allots a substantial yearly budget for the purpose. The R&D expenditure in 2021 was NT\$ 195,881 thousand, NT\$ 149,965 thousand in 2020, and NT\$ 51,614 thousand in Q1/2022.

With EG as the Company’s prime product and EO as its precursor, the Company has since been concentrating on the development and production of EO derivatives, in view of the difficulty in EO storage and transportation. Given the risk of the economic circulation of raw material to the bulk such as EG, the development of EOD has been prioritized to transform OUC into a Specialty Chemical company, based on the premise of the diversification and risk management. In recent years, the R&D has continued to develop high-quality EOD/POD customized products. The main new products in 2021 include: PU/TPU reactive polyether polyol (CLE5020/TMX3R/GLY15R/EHX7/BTX series), polyoxyethylene sorbitan fatty acid esters (TWEEN series) for emulsification/dispersion, EO/PO copolyether (COH20Z, PE, DMA, HBT series) for lubricant/crude oil demulsifier, CPH7SA as additives for panel processes, dihydroxyethyl terephthalate derivative products (CMB, HBS series) as the raw materials for transesterification/biomass polyol, which have been well reviewed and recommended by downstream customers for their quality. To meet the customers’ needs, the company will continue to launch more tailored products to serve customers.

In view of the company's mission in environmental protection, and concern over the decrease of production consumption of terminal products as well as adding high product value to increase the company's revenue and profit, the new technologies in synthesis such as radical polymerization, esterification and transesterification, and the formulated modulation have been undertaken the further processing of EOD/POD downstream. In 2019, the company has successfully developed high-efficiency water-reducing agent WR01, slump agent SR01, and the functional admixture formulation JSP01 of slow coagulation and high pour point traits for concrete, supplied to the downstream premix plants starting Q4/2020, and was rewarded the Prize of Excellent Synergy of the "2020 Far Eastern Spirit Award." In 2021, the company further optimized the process and formula, and developed WR03 & SR04 with better performance, which products have been verified by a number of domestic and foreign customers and shall improve the company's market share in 2022. Additionally, various formulated products such as resin/TiO<sub>2</sub> dispersant, recycled plastic lotion, low-foam lotion, defoaming/foam inhibitor, and zinc oxide bacteriostatic agent for antibacterial paper have been successfully developed in 2021.

To cope with the need to reduce 20% global greenhouse gas emissions by 2030 and achieve the goal of net zero carbon emissions by 2050, the R&D department has been planning a series of environmentally friendly products and technologies of the CO<sub>2</sub>-contained, rPET-contained (PET recycle), biodegradable materials since the end of 2021.

Currently, the company is actively embarking on the path of transformation, and continues to move forward in the direction of becoming a major producer, combining both upstream petrochemical raw materials and downstream high-valued fine chemicals. To fulfil the goal, R&D of the company has developed (1) the special catalytic and ring-opening polymerization technologies required for the production of special polyether polyols; (2) the required reductive amination catalyst and process technology for the production of polyether amine (PEA) series and ethylene diamine (EDA) series; (3) the transesterification polymerization technology required for the production of polycarbonate diol (PCDL) series, used as soft segment modifiers to adjust the physical properties of polyurethane (PU.)

Special polyether polyol mainly contains PO or EO-PO, EO/PO-THF copolymer series of mono-, di-, tri-, tetra-, and hexa-functional groups. The molecular weights of each series of polyether polyols range 230-20000, and the physical properties of each series of polyether polyols can be adjusted according to specific needs. Various series of polyether polyols can be applied to various polyurethane (PU) resins such as adhesives and sealants, elastomers, rigid foams and soft foams to improve their quality grades and physical properties, which have been verified by customers and already in sale.

The polyetheramine series are mainly mono-, di-, and tri-functional PO or EO-PO copolymer. The molecular weights of each polyetheramine series range 200-2000, which can mainly adjust / optimize the physical properties of the epoxy resin, polyurethane (PU), and polyamide fiber, suitable for wind blades, waterproof and anti-corrosion coatings, and high-strength structures with wear/ weather resistance.



## 1.4 Long- and short-term business development plans

### 1.4.1 EG operations

Short term: To elevate current equipment reliability and production rate to satisfy domestic market demand.

Long term: To evaluate and plan for the security of energy resources in the territory where the energy is competitive, with the aim of expanding the core business base.

### 1.4.2 GAS operations

Short term: Develop high valued products to enhance products' added-value.

Long term: Review the industries' development trends for new gas applications.

### 1.4.3 SC operations

Short term: The Company will enhance business operations with end users, infuse new products into the market, and strengthen technical service ability to increase the market share, in addition to reinforcing cooperative relation with international leading manufacturer to enhance brand exposure, while maintaining strategic collaborative partnership in developing other customized EO downstream derivatives to compete mutually through collaborative supply chain.

Long term: To proceed with plans for the diversified development of new SC and fine chemicals to enlarge the proportions of sales and profit of SC.

## 2. Market, Sale & Production Overview

### 2.1 Market Analysis

#### 2.1.1 Major products vs sales territories vs competitors and market share

(1) EG :

The MEG, DEG and EO from the EG plant were primarily produced for the domestic market. Current EG domestic market share is 20%.

(2) GAS :

The sale of industrial gas is also mainly for the domestic market. Domestic market share is 8%.

(3) EA :

The main sales territories for EA include Taiwan, Asia Pacific, the Middle East, Africa, Europe and America.

The EA of the Far Eastern Union Petrochemical (Yangzhou) Ltd. primarily sells to Eastern China, where the market demand is the largest, and the cost of customs duty and freight thereof can be saved. (Currently suspended)

(4) EB :

The current sales territories of the Company's EB are in Taiwan, China, Asia-Pacific, and Africa, etc.

(5) EC :

The EC supplied to Chi Mei for the production of PC is primarily used as advanced plastic materials. As the two PC production lines of Chi Mei under good operation, the development continues, and the consumption of EC may remain growing.

(6) EOD :

The AEO, PEG, MPEG, HPEG, TA, and TM from the EOD plant have extensive application and accounted for the 35% of domestic market share in 2021. Apart from the domestic market, the EOD products exported to South East Asia, New Zealand, Australia, Middle East and Latin America accounted for approx. 50% of total sales volume.

The AEO, PEG and HPEG from the FUPY EOD plant are sold mostly to Eastern China, while the rest to Northern and Southern China. Overall EOD market share is 5%.

2.1.2 Future market overview

(1) EG :

The total domestic output was approx. 2,300,000 MT, imports 40,000 MT, exports 1,400,000 MT, and domestic demand 940,000 MT in 2021.

(2) EO :

The demand for EOD grows by 3% or more each year. The Company's EO fulfills internal demand for EA, EC, and EOD.

(3) DEG :

The domestic demand is approx. 50,000 MT, while the supply is more than 100,000 MT. Export is necessary for the balance of DEG domestic market.

(4) GAS :

The Company competes with Air Products San Fu, Linde LienHwa, Air Liquide Far Eastern and Taipei Oxygen and Gas. In 2021, the Company will continue extending pipeline business ratio and area, and increase high value product of CO<sub>2</sub>.

(5) EA :

As the sole domestic manufacturer of EA, 50% of production volume goes to the domestic market, which used to rely totally on imports. The remaining 50% will be exported to China, Asia Pacific, Africa, Europe and America.

(6) EB :

As the sole domestic manufacturer of EB currently, 40% of production volume goes to the domestic market, while the remaining 60% is exported to China, Asia Pacific, and Africa.

(7) EC :

As the sole domestic manufacturer of EC currently, which demand used to depend totally on the export, 90% of the company's output will fulfill the domestic demand, while the rest 10% be exported to China, Pacific-Asia, Europe and America.

(8) EOD :

With diversified downstream applications to household industry such as detergent, textile auxiliary, coating resins, concrete water reducers, and so on, the Company will be extending its technical services to customers, in hope that future EOD shall grow along with economic

development, and seek long-term cooperation with leading SC manufacturers to further expand its domestic market share and increase export volume, aiming 50% of production at domestic market supply and 50% for export to China, South East Asia and the Middle East.

### 2.1.3 Advantages/Disadvantages and Countermeasure in Competitiveness and Future Development

#### (1) Advantages :

- (a) With the highly efficient catalyst now in use, the efficiency of the EG plant has been improving remarkably each year resulting in the saving of feedstock ethylene and oxygen as well as energy consumption. In addition, the high-purity EO produced is used not only to produce EA and EC, but also for the newly developed high value-added EOD.
- (b) With the steady internal demand for oxygen to stabilize production costs, the gas remains unaffected by the external economy, which is a unique advantage amongst domestic gas producers.
- (c) To effectively reduce energy consumption, improve the quality and competitiveness of the product, EA plant No. 2 has adopted newly developed low water revamp process.
- (d) Given that TEA is under the control of CWC of the United Nations and domestic production has released local TEA users from the almost inextricable and complicated import application procedures, the domestic demand and supply continue to grow.
- (e) In addition to its use as feedstock for electrolyte of lithium battery and composite material, the production of EC under the environmentally protective non-phosgene process and the use of GHG CO<sub>2</sub> as feedstock, have earned the recognition of society and environmental conservation institutions. EC is supplied under contract to satisfy the downstream Chi Mei's requirement for PC marketing.
- (f) The cost advantage of EOD plant due to self-owned feedstock EO and advanced processing equipment has resulted in high quality product with far lower than average impurity content, which is highly regarded by the customers. Additionally, with high capabilities in product development and technical service, the Company enables to meet with customers' requirements for new product development

#### (2) Disadvantages and countermeasures :

- (a) With CPC as major supplier of ethylene, import is necessary when there is a shortage.
- (b) To deal with the disadvantages of the costly transportation, the Company is working on the installation of an optimizing transportation dispatch system to ensure stable and secure supply of gas products.

## 2.2 Applications and production processes of the major products

### 2.2.1 Applications of major products

- (1) MEG: is the raw material for polyester fiber, antifreeze, dehumidifiers, engineering plastics, PET bottles and brake fluid.
- (2) DEG: is the raw material for dehumidifiers, lubricants, dye leveler, polyethyl urethane and unsaturated polyester resins as well as a solvent and grinding aid.



- (3) EO: is the major feedstock for EG, glycol ether, EA and non-ionic surfactants and disinfectants.
- (4) Oxygen: is used in the aerospace industry, metal processing, the papermaking and glass industries, chemistry and pharmaceuticals, industrial welding and cutting, waste water treatment, incineration, hospitals and fisheries, etc.
- (5) Nitrogen: is mainly used in refineries, the glass, electronics and semi-conductor industries, plastics industry, in food preservation and packaging, low-temperature cutting, the chemical industry, metal heat treatment, pharmaceuticals, low-temperature surgery, printing, metal, rubber and livestock industries as well as in medical research.
- (6) Argon: is used in welding, the aerospace industry, lighting, window heat insulation, the electronics and semi-conductor industry, the metal and alloy manufacturing industry and in laser production and the processing industry.
- (7) CO<sub>2</sub>: is used in welding, fire extinguisher, electronics and semi-conductor industries, frozen foods and dry ice cleaning, etc.
- (8) MEA: is used in disinfection, anti-diarrheic, fluorescent whitening agents, surfactant, anti-corrosive agent, detergents, paints, and in acid gas absorbent and electronics solvent.
- (9) DEA: is used in insecticides and herbicides, corrosion inhibitors, crosslink agent, engine antirust agent, detergents, surfactant, and in acid gas absorbent.
- (10) TEA: is used for cutting, cooling and anti-corrosion agents in metal processing; emulsion and neutralization in the cosmetics industry; as a grinding aid in cement processing, a concrete water reducer, and as a surfactant and electroplate bonder.
- (11) EC: is used in the production of PC, which is then used for the production of compact discs and other engineering plastics.
- (12) EB: is used in paints, printing ink, stamping ink, oil, resin solvents, metal detergent, paint remover, lubricant remover agents, automobile engine detergent, dry-clean solvent, and epoxy resin solvent, etc.
- (13) PEG: is used as a fluorescent brightener in electroplating; in moistening and concentration for cosmetics; as a soldering flux, and as a mold release agent in rubber processing.
- (14) AEO: is a shampoo ingredient, a lubricant and anti-corrosion additive; is used in textiles; is a moisturizer or dispersant used in the preparation of colored dyes and pesticides; also used as a stabilizer in synthetic latex processing.
- (15) MPEG: is extensively used in construction, as a raw material for poly-carboxylate cement water reducers, as a thickening agent and lubricant in textiles and specialty chemical processes. It is also used as a pharmaceutical substrate for emulsifying ointment, as a rinsing agent and in suppositories.
- (16) TA: is non-ionic in an alkali or neutral mediator, and cationic in an acid mediator. They have excellent emulsification and dye leveler properties. Extensively used in pesticides, the leather and textile industries, metal processing and plastics industry, such as textile auxiliary, pesticides emulsifiers and metal anti-corrosion agents.

- (17) TM: Ethoxylated Trimethylolpropane is a tri-functional alcohol with quaternary structure and is a colorless transparent liquid at normal temperatures. TM is frequently used as a cross linker in polyurethanes, a precursor for UV curing coating reactive monomers and a composition of aqueous polymer.

### 2.2.2 Production processes

- (1) EG plant: After preheating, ethylene goes through the sulfur and acetylene removal units and is injected into the cycle gas loop with oxygen before catalyzed with silver and reacted to form ethylene oxide (EO), carbon dioxide (CO<sub>2</sub>) and water. The EO is then absorbed by circulated water in the main absorbing column and pumped to the gas stripping column and EO recovery system to produce crude EO. Part of this is purified to high purity EO in the HPEO column by removal of aldehydes while the rest of the crude EO is mixed with process water and reacts to glycols in the glycol reactor. The glycol water mixture passes through multiple effect evaporators to remove water. The concentration and purification columns remove impurities to produce high quality mono-, di-, and tri-ethylene glycol (MEG, DEG, TEG) products.

- (2) Air separation plant: Air is filtered to remove particulates and dust, compressed by the main air compressor passed through molecular sieves to remove water, CO<sub>2</sub>, and light hydrocarbons by adsorption. The purified dry air passes through primary heat exchangers to reach liquefying temperature and enters the fractionation column where it is split into high purity oxygen (O<sub>2</sub>), nitrogen (N<sub>2</sub>) and argon (Ar). Liquid products (LOX, LIN, LAr) are produced by compression-expansion of the gaseous O<sub>2</sub>/N<sub>2</sub>/Ar in the liquefiers.

To secure the quality control of medical GOX and LOX, the medical oxygen has been produced through dedicated singular-use pipeline since April 2009.

- (3) EA plant: EO reacts with ammonia solution to produce ethanol-amine solution. The solution goes through ammonia, water removal and vacuum distillation processes to produce mono-, di-, tri- ethanol amines (MEA, DEA, TEA) and heavy TEA (TEAH) products.
- (4) EC plant: EO and CO<sub>2</sub> react in the high pressure reactor to produce ethylene carbonate (EC), during which reaction the liquid EC is catalyzed and proceeds with vacuum distillation to reach high purity.
- (5) EOD plant: EO reacts with various initiators such as PO, methanol, natural fatty alcohol, synthetic alcohols, DEG, methallyl alcohols, fatty amine, trimethylpropanol, benzene ring and so on in the high pressure autoclaves to produce different Ethoxylates (AEOs, TDK/TDE, MPEG, PEG, HPEG, TA, TM, PH1 and TSP series). The batch reaction process undergoes catalyst addition, moisture removal, reaction, aging and neutralization steps in the facility which includes pre-treatment, reaction and post treatment vessels. The agricultural and textile emulsifier products are formulated at the EOD plant with the base materials from the self-developed EOD series of the Company.
- (6) To produce the Ethylene Glycol Butyl Ether, the butanol is to react with EO to produce glycol ether solution. Then, through the processes of butanol removal and the vacuum distillation there come the ethylene glycol butyl ether (EB), diethylene glycol butyl ether (DB), and triethylene glycol butyl ether (TB), etc. Starting 2018, the developed products of

the de-salt series, the poly ethylene glycol butyl ether (HB) and the like provide outstanding functions to EB series in applications of solvents and non-ionic surfactants.

- (7) Ethyleneamine is produced through the reaction of monoethanolamine (MEA) and excess ammonia (NH<sub>3</sub>) with reductive amination catalyst, and then through the separation and purification processes to separate and purify various products, which include ethylenediamine (EDA), piperazine(PIP), diethylenetriamine(DETA), triethylene tetramine(TETA), amino-ethylethanolamine(AEEA), aminoethylpiperazine(AEP) and hydroxyethylpiperazine(HEP), etc.
- (8) Through the reactions of polyol (polyol) and ammonia (NH<sub>3</sub>) with reductive amination catalyst, come the polyetheramine (PEA). The product will be then put through the separation and purification processes.

### 2.3 Supply of major feedstock

#### 2.3.1 Major feedstock of the EG Plant:

- (1) Ethylene: is primarily supplied by CPC in Taiwan. Any shortages are covered by imports mainly from North East Asia, the Middle East and America.
- (2) Oxygen: supplied by the Company gas plant.

#### 2.3.2 Gas feedstock is atmospheric air.

#### 2.3.3 Feedstock of the EA plant:

- (1) EO: Supplied by the OUCC EG plant.
- (2) Liquid ammonia: OUCC is supplied by the Taiwan Fertilizer Co.

#### 2.3.4 Feedstock of the EC Plant: the EO and CO<sub>2</sub> are both provided by the Company EG plant.

#### 2.3.5 Feedstock of EB Plant: the EO is provided by the Company EG plant, while n-butanol is provided mainly by Formosa Plastics Corporation, shortage by importers.

#### 2.3.6 Major feedstock of the EOD plant:

- (1) EO: from the OUCC EG plant. FUPY is supplied mainly by its own EG plant, while the rest is provided by local suppliers.
- (2) Fatty alcohols: supplied by the Kao Group or other importers. FUPY is from Eastern China supplier.

**2.4 The major suppliers and customers accounting for 10% or more of the Company's total acquisition and sales over the last two years**

2.4.1 The major suppliers accounting for 10% or more of the Company's total acquisition:

Currency unit: NTD thousand

Item	2020				2021				Ending Q1 of 2022			
	Name	Amount (Note)	Percentage of total net purchase (%)	Affiliation with the issuer	Name	Amount (Note)	Percentage of total net purchase (%)	Affiliation with the issuer	Name	Amount	Percentage of total net purchase up to Q1 of the current year (%)	Affiliation with the issuer
1	Sinopec Chemical East China Co.	2,924,055	16	N/A	CPC	3,837,111	16	N/A	CPC	1,095,049	17	N/A
2	MITSUI & CO LTD	2,363,454	13	N/A	Sinopec Chemical East China Co.	3,533,083	14	N/A	-	-	-	-
3	CPC	2,260,663	12	N/A	MITSUI & CO LTD	2,419,060	10	N/A	-	-	-	-
4	Others	10,697,153	59		Others	15,140,420	60		Others	5,245,891	83	
	Net purchase	18,245,325	100		Net purchase	24,929,674	100		Net purchase	6,340,940	100	

2.4.2 The major customers accounting for 10% or more of the Company's total sales amount:

Item	2020				2021				Ending Q1 of 2022			
	Name	Amount (Note)	Percentage of total net purchase (%)	Affiliation with the issuer	Name	Amount (Note)	Percentage of total net purchase (%)	Affiliation with the issuer	Name	Amount	Percentage of total net purchase up to Q1 of the current year (%)	Affiliation with the issuer
1	-	-	-		Nanking Tanchin Chemicals Co Ltd	2,779,923	10		-	-	-	
2	Others	18,763,159	100		Others	24,701,796	90		Others	6,525,184	100	
	Net sales	18,763,159	100		Net sales	27,481,719	100		Net sales	6,525,184	100	

## 2.5 Output volume and value over the last two years

Unit: quantity: ton  
Value: NTD thousand

Major products	2020			2021		
	Productivity	Output	Output value	Productivity	Output	Output value
EG series	1,374,000	895,949	15,304,778	1,374,000	961,455	21,588,218
Gas series	1,797,950	1,063,143	1,495,086	1,797,950	1,189,085	1,578,432
SC series	331,000	156,383	3,472,727	331,000	209,021	6,264,046

Note: Output volume and value of consolidated companies

## 2.6 Sales volume and value over the last two years

Unit: quantity: ton  
Value: NTD thousand

Year	2020				2021			
	Domestic sales		Export sales		Domestic sales		Export sales	
Major products	Q'ty	Amount	Q'ty	Amount	Q'ty	Amount	Q'ty	Amount
EG series	335,670	4,760,020	505,736	8,872,988	335,071	7,033,135	497,928	11,352,683
Gas series	447,922	1,153,506	343,939	610,511	460,682	1,313,407	109,805	287,382
SC series	74,659	1,968,608	83,457	2,280,820	74,234	2,125,395	136,812	5,354,678

Note: Sales volume and value of consolidated companies

## 3. Employees

May 15, 2022

Year	2020	2021	2022(Note)
Number of employees	597	588	604
Average age	39.31	40.68	39.90
Average seniority	8.20	9.50	8.65
Education Background %	Doctor	1.34%	1.02%
	Master	16.75%	17.86%
	Bachelor	68.34%	68.02%
	High school and below	13.57%	13.10%

Note: The information of consolidated companies is valid up to the date of publication of the annual report.

## 4. Environmental Protection Expenditure

### 4.1 Incurred loss and punishment due to contamination of environment in recent year

#### 4.1.1 Linyuan premises

Item \ Year	2020	2021	Ending 15 May, 2022
Contamination classified	Environmental Maintenance Management Autonomy Regulations Kaohsiung City	Waste Disposition Rule	N/A
Authorized Unit	Kaohsiung City Government	Kaohsiung City Government	N/A
Compensatory amount or discipline	NTD106,000	NTD11,000	N/A
Other losses	N/A	N/A	N/A

#### 4.1.2 Yangzhou premises

Item \ Year	2020	2021	Ending 15 May, 2022
Contamination classified	N/A	N/A	N/A
Authorized Unit	N/A	N/A	N/A
Compensatory amount or discipline	N/A	N/A	N/A
Other losses	N/A	N/A	N/A

### 4.2 Future countermeasures and expenditure

#### 4.2.1 To be adopted plan and countermeasures:

- (1) To strengthen the operation management of the anti-pollution facility, to ensure the compliance of pollutant emission pursuant to the regulation.
- (2) To enhance the operative capability of the anti-pollution facility by monitoring the management of operation and maintenance, to eliminate the occurrence of accident.
- (3) To promote the industrial waste reduction plan, to diminish the generation of waste water/gas/good, through development and improvement of technology in processing.
- (4) Review and advance all the measurements for water and energy saving, and CO<sub>2</sub> reduction.

#### 4.2.2 Future and on-going expenditures in environmental protection and the improvement anticipated

- (1) The Company is investing NTD24 million in the improvement of waste water plant to increase waste water treatment volume and reduce effectively high density COD.
- (2) The Company is investing NTD10 million in the renewal of a methane reactor (RP-110N) for the improvement of equipment efficiency in terms of leakage prevention.
- (3) The Company is investing NTD5.5 million in the material replacement of the second set of ethylene oxide rectification system in the EOG plant to prolong the lifespan of the equipment and prevent the outflow of chemicals from polluting the environment
- (4) The Company is investing NTD4.4 million in the pollution prevention and control equipment in the new specialty chemical site, by adding a scrubber to prevent volatile gases from being discharged.

### 4.3 Implementation of GHG reduction

#### 4.3.1 Implementation

- (1) EA/EB plants steam unit consumption improvement project, the annual thermal energy saving is estimated to be 1,503 million KCAL, which is converted into an annual electricity saving of 175,000 kWh, and an annual reduction of 88t-CO<sub>2</sub>e.
- (2) The new PP-202A high-efficiency motors installed at EOG plant is estimated to save 203,000 kWh of electricity annually and reduce 102t-CO<sub>2</sub>e per year.
- (3) The newly purchases freezing machine (X60B) of the GAS-III plant is estimated to save electricity of 5.9 kWh and reduce 3t-CO<sub>2</sub>e a year.
- (4) The replacing of the inlet filter screen of the main air compressor of GAS-II plant is estimated to save electricity 2.668 million kWh and reduce 1,340t-CO<sub>2</sub>e a year.
- (5) The outlet pipeline enlargement of the nitrogen compressor (BLNC-7) of GAS plant is estimated to save 1.348 million kWh of electricity and reduce 677t-CO<sub>2</sub>e a year.

#### 4.3.2 Proceeded measures

- (1) The expansion in sales volume of food- and electronic-grade CO<sub>2</sub> is expected to recycle more than 20,000 MT of CO<sub>2</sub>.
- (2) The revamp of PP-1311A/S, the permanent magnet energy saving scheme, is estimated to save 240,000 kWh of power and reduce 123t-CO<sub>2</sub>e annually.
- (3) The rooftop solar energy of semiconductor CO<sub>2</sub> and motor program-controlled power distribution project is to construct a solar photovoltaic system with a device capacity of approx. 87 kWh, which is to decrease the power procurement of 98,000 kWh, reducing 49t-CO<sub>2</sub>e annually.
- (4) The improvement by replacing the ventilation-cooled air-conditioning system of the offices at the Maintenance Building is estimated to save power of 30,700 kWh and reduce 154t-CO<sub>2</sub>e annually.
- (5) The circulating water pumps PP-201 and PP-202 of EOG plant linked as an independent pump is estimated to save power of 1.54 million kWh and reduce 773t-CO<sub>2</sub>e annually.

### 4.4 The implementation of RoHS and its effect on investors' interests and rights:

The Company has confirmed that no lead or cadmium ever used as ingredient, or in formula or processing pursuant to RoHS.

## 5. Labor-Management Relations

### 5.1 Employee fringe benefits and implementation:

5.1.1 The Company has established the Worker's Welfare Commission and contributes to welfare benefits in accordance with the Law, calls meetings periodically, attends to worker welfare affairs and organizes various welfare activities. Badminton, softball and fishing clubs have been founded, academic subsidy and travel allowance are provided, and annual health examination for all employees is provided as well as an employee group insurance scheme.

#### 5.1.2 Continuing education and training

The Company values the training and development of human resources, and supports and invests in employee education and training. This improves expertise and skill and upgrades the Company's overall competitiveness. The Company plans and provides employees with the chance to continue their education and training each year by attending competency and executive management talent development programs. These include financial accounting, marketing and computer courses planned by the HR Development Center of Far Eastern New Century Corp, a Group member. The various departments may also recommend that colleagues attend on-job training, labor safety training and training for licenses organized by the governmental apparatus and social organizations. These internal education and training seminars will be continued to enrich employee expertise and achieve the substantial goal for "to learn in order to practice". In 2021, the total number of internal and external education training hours was 8,249.

#### 5.1.3 Retirement system

The Company has established a Labor Pension Supervisory Committee to review and monitor the utilization of pensions. The Committee will contribute the pension reserve into a special and exclusive account maintained at the Trust Dept. of the Bank of Taiwan on a monthly basis and pay employee pensions as required to ensure the interests and rights of retired employees.

As of July 1, 2005, employees who have chosen the pension system under the "Labor Pension Act" shall pay a deposit of 6% of the insured value to the personal pension account at the Labor Insurance Bureau on a monthly basis. The ratio of the pension system to the official employees is 100%.

#### 5.1.4 Insurance system

The company handles employees' labor insurance, national health insurance, and appropriation of the new retirement pensions system in accordance with the law. In addition, the group insurance and a self-financed plan are provided to insure lives of employees, employee welfare and promote harmonious labor-management relations.

#### 5.1.5 Labor-management agreements and employee interests and rights protection measures

The labor-management policies are made in accordance with the relevant laws and regulations, and implemented fairly. Additions or amendments to the labor terms and conditions are implemented after labor-management negotiations to protect the interests and rights of the employees.

Through the labor-management meetings held regularly, the employees may voice opinions, communicate to solve problems, and achieve a well reactive and harmonious relationships.



5.1.6 The work environment and employee personal safety protection measures

- (1) To prevent occupational accidents and disasters and protect the safety of employees, the Company has defined various "urgent contingency plans", carries out regular drills and has countermeasures in place to handle fire, leakage, typhoon, earthquake, war, traffic accidents, reporting, evacuation and recovery, to limit and mitigate injury and loss caused by an accident or disaster as far, as fast, and as systematically as possible
- (2) The substance safety data sheets for raw materials, supplies and products throughout the factory are accessible to personnel at all times, as well as being posted on-line. This ensures that all personnel have the knowledge, references and the relevant information necessary to take the proper corrective action to ensure the safety of employees and the factory.
- (3) The production process zones are all equipped with such fire protection equipment and sprinkler systems which may be automatic, manual or remote controlled to ensure the safety of employees and the factory. Auto fire extinguishing systems (FM-200) are installed at the 14 sets of MCC to secure the safety of the electronics facility.
- (4) Monitoring stations for combustible gas, EO, NH<sub>3</sub>, H<sub>2</sub>, and waste water (COD, pH) are installed inside the production areas, so that any leakage or abnormal situation may be detected and remedied or eliminated immediately.
- (5) A hot/hazardous work permit procedure has been established and a permit system and procedure for entry into confined spaces has also been introduced to ensure the safety of personnel and equipment.
- (6) The implementation of safety training and requirement for contractors in accordance with the safety standards of the employees is to ensure the safety of all personnel accessing or passing through the factory area.
- (7) Health examinations for employees have been set up for the early detection of any health problems so that any necessary treatment may be given as soon as possible.

**5.2 Any loss incurred from the labor-management dispute of the Company or its subsidiary in the recent year and up to the date of publication of this annual report, and the disclosure of current and future estimation of possible loss amount and countermeasures: Nil**

## 6. IT Security Management

### 6.1 IT security risk management structure, IT security policy, solutions and resources

#### 6.1.1 IT security structure and accountability

(1) The Company’s IT Security Committee is established in 2021 and composed of Audit team, IT Security Chief, IT Security Manager and Information Security Protection team. The meeting regarding resolutions of IT security system related issues shall be summoned by IT Security Chief regularly or when needed annually.

#### (2) Job accountability

Unit	Job Accountability
IT Security Committee	<ol style="list-style-type: none"> <li>1. Hold a meeting every year on a regular basis or as needed to review matters related to the IT safety management.</li> <li>2. Hold a cross-unit coordination meeting as needed, in view of the allocation of relevant resources required for the implementation of the IT security management system.</li> </ol>
Information Audit Section	<ol style="list-style-type: none"> <li>1. Formulate an internal audit plan for IT security.</li> <li>2. Conduct an internal audit on IT security</li> <li>3. Produce an internal audit report on IT security</li> <li>4. Track the improvement implementation of the nonconformity.</li> </ol>
IT Security Chief	<ol style="list-style-type: none"> <li>1. Responsible for the strategic planning and relevant implementation.</li> <li>2. Responsible for early warning and monitoring of information security status, and handling the status and incidents thereof.</li> <li>3. Provide suggestions for improvement of IT security management, and assist the implementation of self-inspection of IT security management.</li> <li>4. Regularly check the event records for access control management, as well as management procedures.</li> </ol>
IT Security Manager	<ol style="list-style-type: none"> <li>1. Formulate relevant guidelines for information security management.</li> <li>2. Promote information security related activities.</li> <li>3. Conduct education and training related to information security.</li> <li>4. Establish a risk management system and implement the management of risk.</li> <li>5. Establish emergency response and recovery measures for security incidents.</li> <li>6. Implement the recommended improvement of audit.</li> <li>7. Implement improvement of preventive measures.</li> <li>8. Study and discuss new information security products or technologies.</li> <li>9. Execute the resolutions of the IT Security Committee.</li> <li>10. Identify the laws and regulations related to IT security.</li> </ol>
Information Security Protection Section	<ol style="list-style-type: none"> <li>1. Cooperate with the disaster relief unit upon occurrence of a disaster, and responsible for the rescue of personnel, materials and equipment, as well as on-site instruction.</li> <li>2. Responsible for post-disaster coordination and clean up instruction of the disaster site.</li> <li>3. Responsible for planning the restoration of the original operating site</li> </ol>

6.1.2 IT security policy: The "Information Security Committee" is set to ensure the security of information assets of the company, and is responsible for the approval and supervision of policies, information security prevention and crisis management. To avoid misuse, leakage, tampering, and destruction of information due to factors such as human negligence, intentional or natural disasters, bringing various possible risks and hazards to the company, the IT department plans for the company's network information security and internal information protection, establishing remote backup, self-built cloud database and other related information security measures to ensure the effective operation of the information system and avoid information security risks. The relevant principles of information security management are listed per below:

- (1) Important information assets shall be regularly examined, classified, graded, and risk assessed, and appropriate protective measures should be implemented accordingly.
- (2) Establish a complete notification and contingency measures for information security incidents to ensure the continuous operation of information systems and businesses.
- (3) An operation continuity plan shall be formulated and drilled regularly to ensure that important systems and businesses can resume operations within a predetermined time when an information security incident occurs.
- (4) Relevant personnel shall receive education, training and publicity of information security pursuant to regulations to enhance information security awareness.
- (5) Regularly perform information security audits to review access rights and the implementation of information security management systems.

6.1.3 IT security resources: The company attaches great importance to information security risk control and protection, and has deployed multi-levelled defense network for strict implementation. The information security plan is formulated to promote information security policy year by year, and construct in succession the complete information security protection measures & techniques. A total of NT\$ 2 million was invested in 2021 for the enhancement of information security.

**6.2 IT security risks and countermeasures:** (please refer to p124 of this report)

**6.3 Major IT cases (with losses and possible impact due to material IT safety incidents in the most recent year till the date as of the publication of this report) :** Nil

## 7. Major contracts

Nature	Client	Duration	Summary Content	Restricted clause
<b>(I) Oriental Union Chemical Corporation</b>				
Supply Contract	Far Eastern New Century Corporation	2022.3-2025.2	EG purchase and sales agreement	Renewed automatically within six months prior to expiration if neither raises an objection.
	Shinkong Synthetic Fibers Corporation	2022-2024		Renewed automatically within six months prior to expiration if neither raises an objection.
	Tainan Spinning Co Ltd	2021, 2022		Renewed automatically within three months prior to expiration if neither raises an objection.
	Sino-Japan Chemical Co Ltd	2019.6-2022.6	EO purchase and sales agreement	Renewed automatically for three years within six months prior to expiration if neither raises an objection.
	Chi Mei Corporation	2021-2022	EC purchase and sales agreement	Both parties are engaged in the exclusive purchase and sale of EC.
	CPC	2021, 2022	Ethylene supply contract	Nil
	Mitsubishi Corporation (Taiwan) Ltd	2021, 2022		Nil
Lease Contract	CPC	2021, 2022	Storage tank lease contract	Nil
	Lushun Warehouse Co Ltd	2021, 2022		Renewed automatically for one year within three months prior to expiration if neither raises an objection.
Long-term Loan	Bank of America	2021-2023	Bank loan	Nil
	Sumitomo Mitsui Banking Corporation	2021-2023		
	Far Eastern International Bank	2020-2023		
	Mega Bank	2021-2023		
	Land Bank of Taiwan	2021-2023		
	KGI Bank	2020-2023		
	Shanghai Commercial & Savings Bank	2021-2023		
	JihSun Bank	2021-2024		
	Bank of China	2021-2023		
	Taishin Bank	2021-2023		
Yuanta Bank	2021-2023			
<b>(II) Far Eastern Union Petrochemical (Yangzhou) Ltd</b>				
Supply Contract	Petrochina Kunlun Gas Co Ltd	2021	Gas supply contract	Nil
	Sinopec Chemical Commercial Holding Co Ltd, Eastern China Branch	2021	C <sub>2</sub> supply contract	
Sales Contract	Nanking Tanchin Chemicals Co Ltd	2021	HPEO purchase & sales agreement	Nil

## VI. Financial Information

### 1. Condensed balance sheet, income statement, and external auditor's opinion for the last five years

#### Condensed balance sheet and comprehensive income statement – IFRSs

#### 1.1 Condensed balance sheet – IFRSs

##### 1.1.1 Consolidated balance sheet

Currency unit: NTD thousand

Year		Financial information for the last five years (Note 1)					Financial information available up to March 31, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Item							
Current assets		8,125,752	6,808,358	7,603,164	6,286,281	6,293,412	6,565,645
Property, plant and equipment		16,732,309	15,998,671	14,939,620	14,572,234	14,641,722	14,943,696
Intangible assets		24,642	22,811	20,235	31,431	46,382	45,505
Other assets		11,069,155	13,568,380	14,300,097	13,213,681	12,794,655	13,137,912
Total assets		35,951,858	36,398,220	36,863,116	34,103,627	33,776,171	34,692,758
Current liabilities	Before distribution	9,604,371	9,680,967	10,706,121	8,911,854	8,678,751	9,509,951
	After distribution	11,154,351	11,230,947	10,971,832	8,911,854	(Note 3)	(Note 3)
Non-current liabilities		8,450,056	8,129,538	9,433,400	10,279,967	9,176,818	9,139,865
Total liabilities	Before distribution	18,054,427	17,810,505	20,139,521	19,191,821	17,855,569	18,649,816
	After distribution	19,604,407	19,360,485	20,405,232	19,191,821	(Note 3)	(Note 3)
Capital stock		8,857,031	8,857,031	8,857,031	8,857,031	8,857,031	8,857,031
Capital surplus	Before distribution	741,291	765,359	825,222	956,286	1,006,828	1,006,828
	After distribution	741,291	765,359	825,222	956,286	(Note 3)	(Note 3)
Retained earnings	Before distribution	5,621,845	6,308,071	4,778,341	3,437,942	4,320,179	4,247,014
	After distribution	4,071,865	4,758,091	4,512,630	3,437,942	(Note 3)	(Note 3)
Other equities		(223,270)	(775,481)	(748,791)	(959,492)	(1,222,885)	(951,331)
Treasury stock		(187,798)	(187,798)	(187,798)	(187,798)	(124,373)	(124,373)
Equity attributable to the parent company	Before distribution	14,809,099	14,967,182	13,524,005	12,103,969	12,836,780	13,035,169
	After distribution	13,259,119	13,417,202	13,258,294	12,103,969	(Note 3)	(Note 3)
Non-controlling interest		3,088,332	3,620,533	3,199,590	2,807,837	3,083,822	3,007,773
Total equities	Before distribution	17,897,431	18,587,715	16,723,595	14,911,806	15,920,602	16,042,942
	After distribution	16,347,451	17,037,735	16,457,884	14,911,806	(Note 3)	(Note 3)

Note 1: The 2013 ver. Taiwan-IFRSs applies to the financial statement of 2017-2021.

Note 2: The financial statement for Q1 of 2022 was reviewed by the CPAs.

Note 3: The 2021 profit allocation proposal is yet to be resolved by shareholders' meeting 2022.

## 1.1.2 Individual balance sheet

Currency unit: NTD thousand

Item		Year	Financial information for the last five years				
			2017	2018	2019	2020	2021
Current assets			2,263,854	2,784,425	2,915,731	2,111,032	2,574,322
Property, plant and equipment			6,861,677	6,561,532	6,278,302	6,203,703	6,797,655
Intangible assets			8,148	8,362	8,663	11,060	7,356
Other assets			14,146,988	14,663,397	15,344,746	14,386,880	13,853,197
Total assets			23,280,667	24,017,716	24,547,442	22,712,675	23,232,530
Current liabilities	Before distribution		1,477,356	1,454,395	1,723,213	952,703	1,777,259
	After distribution		3,027,336	3,004,375	1,988,924	952,703	(Note)
Non-current liabilities			6,994,212	7,596,139	9,300,224	9,656,003	8,618,491
Total liabilities	Before distribution		8,471,568	9,050,534	11,023,437	10,608,706	10,395,750
	After distribution		10,021,548	10,600,514	11,289,148	10,608,706	(Note)
Capital stock			8,857,031	8,857,031	8,857,031	8,857,031	8,857,031
Capital surplus	Before distribution		741,291	765,359	825,222	956,286	1,006,828
	After distribution		741,291	765,359	825,222	956,286	(Note)
Retained earnings	Before distribution		5,621,845	6,308,071	4,778,341	3,437,942	4,320,179
	After distribution		4,071,865	4,758,091	4,512,630	3,437,942	(Note)
Other equities			(223,270)	(775,481)	(748,791)	(959,492)	(1,222,885)
Treasury stock			(187,798)	(187,798)	(187,798)	(187,798)	(124,373)
Total equities	Before distribution		14,809,099	14,967,182	13,524,005	12,103,969	12,836,780
	After distribution		13,259,119	13,417,202	13,258,294	12,103,969	(Note)

Note: The 2021 profit allocation proposal is yet to be resolved by shareholders' meeting 2022.

1.2 Condensed comprehensive income statement – IFRSs

1.2.1 Consolidated comprehensive income statement

Currency unit: NT\$ thousand, other than EPS, which shall be stated at NT\$

Item \ Year	Financial information for the last five years (Note 1)					Financial information available up to March 31, 2022 (Note 2)
	2017	2018	2019	2020	2021	
Operating revenue	28,919,810	32,115,817	22,341,227	18,763,159	27,481,719	6,525,184
Gross profit	4,444,555	4,298,803	(22,287)	517,834	2,552,045	177,964
Operating income	3,501,721	3,298,641	(1,010,603)	(455,992)	1,421,992	(136,267)
Non-operating revenue and expense	(444,429)	(118,626)	342,704	(851,297)	(46,917)	(152,540)
Profit before income tax	3,057,292	3,180,015	(667,899)	(1,307,289)	1,375,075	(288,807)
Net income	2,396,176	2,387,058	(255,352)	(1,471,647)	1,186,755	(259,865)
Other comprehensive income (net after tax)	(283,917)	29,884	(118,650)	(178,552)	(291,926)	382,205
Total comprehensive income	2,112,259	2,416,942	(374,002)	(1,650,199)	894,829	122,340
Net income attributable to parent company	1,749,409	1,750,724	33,618	(1,064,698)	899,758	(73,165)
Net income attributable to non-controlling interest	646,767	636,334	(288,970)	(406,949)	286,997	(186,700)
Total comprehensive income attributable to parent company	1,508,935	1,848,130	46,941	(1,285,389)	618,844	198,389
Total comprehensive income attributable to non-controlling interest	603,324	568,812	(420,943)	(364,810)	275,985	(76,049)
EPS (Note 3)	2.01	2.01	0.04	(1.22)	1.03	(0.08)

Note 1: The 2013 ver. Taiwan-IFRSs applies to the financial statement of 2017-2021.

Note 2: The financial statement for Q1 of 2022 was reviewed by the CPAs.

Note 3: The EPS is calculated on the basis of the weighted average number of shares outstanding minus the number of shares in circulation held by subsidiaries that are deemed to be treasury shares

**1.2.2 Individual comprehensive income statement**

Currency unit: NT\$ thousand, other than EPS, which shall be stated at NT\$

Item	Year	Financial information for the last five years				
		2017	2018	2019	2020	2021
Operating revenue		12,755,671	14,619,729	11,762,636	9,798,912	14,673,731
Gross profit		1,904,856	2,051,886	810,856	783,602	2,053,640
Operating income		1,280,192	1,330,899	53,101	7,112	1,148,243
Non-operating revenue and expense		773,388	752,690	(30,927)	(1,087,128)	(58,711)
Profit before income tax		2,053,580	2,083,589	22,174	(1,080,016)	1,089,532
Net income		1,749,409	1,750,724	33,618	(1,064,698)	899,758
Other comprehensive income (net after tax)		(240,474)	97,406	13,323	(220,691)	(280,914)
Total comprehensive income		1,508,935	1,848,130	46,941	(1,285,389)	618,844
EPS (Note)		2.01	2.01	0.04	(1.22)	1.03

Note: The EPS is calculated on the basis of the weighted average number of shares outstanding minus the number of shares in circulation held by subsidiaries that are deemed to be treasury shares.

**1.3 CPA Name and audit opinion**

Year	CPA Name	Audit opinion
2017	Hsin-Wei Tai & Yu-Wei Fan	Unqualified opinion
2018	Hsin-Wei Tai & Yu-Wei Fan	Unqualified opinion
2019	Hsin-Wei Tai & Yu-Wei Fan	Unqualified opinion
2020	Hsin-Wei Tai & Yu-Wei Fan	Unqualified opinion
2021	Hsin-Wei Tai & Yu-Wei Fan	Unqualified opinion



## 2. Financial analysis for the last five years

### Financial analysis – IFRSs

#### 2.1 Consolidated financial analysis

Item		Year	Financial analysis for the last five years					March 31, 2022 (Note 1)	
		2017	2018	2019	2020	2021			
Financial structure (%)	Liabilities to assets		50.22	48.93	54.63	56.28	52.86	53.76	
	Long-term fund for property, plant and equipment		157.46	167.00	175.08	172.88	171.41	168.52	
Liquidity analysis (%)	Current ratio		84.60	70.33	71.02	70.54	72.52	69.04	
	Quick ratio		44.41	42.02	47.27	51.16	51.24	45.20	
	Interest coverage ratio		9.81	9.61	(0.92)	(0.25)	6.15	(3.55)	
Operation performance analysis	Receivables turnover (times)		15.39	15.40	14.81	16.96	21.53	20.00	
	Average collection days		23.71	23.70	24.64	21.52	16.95	18.25	
	Inventory turnover (times)		12.07	14.34	15.37	16.08	20.85	17.42	
	Payables turnover (times)		12.93	10.42	10.58	14.51	18.10	16.21	
	Average inventory turnover days		30.24	25.45	23.74	22.69	22.69	20.95	
	Property, plant and equipment turnover (times)		1.69	1.96	1.44	1.27	1.88	1.76	
	Total assets turnover (times)		0.81	0.89	0.61	0.53	0.81	0.76	
Profitability	ROA (%)		7.55	7.41	0.06	(3.32)	4.11	(0.62)	
	ROE (%)		14.15	13.09	(1.45)	(9.30)	7.70	(1.63)	
	Ratio to paid-in capital (%)	Operating profit		39.54	37.24	(11.41)	(5.15)	16.05	(1.54)
		Net profit before tax		34.52	35.90	(7.54)	(14.76)	15.53	(3.26)
	Net income margin (%)		8.29	7.43	(1.14)	(7.84)	4.32	(3.98)	
	EPS (NT\$) (Note 2)		2.01	2.01	0.04	(1.22)	1.03	(0.08)	
Cash flow (%)	Cash flow ratio (%)		44.36	43.59	(6.98)	8.43	42.53	(6.78)	
	Cash flow adequacy ratio (%)		42.36	48.48	68.62	113.50	158.05	108.59	
	Cash flow reinvestment ratio (%)		11.12	7.07	(6.02)	1.29	9.46	(1.52)	
Leverage	Operating leverage		0.91	1.48	(1.16)	(3.57)	2.67	(5.47)	
	Financial leverage		1.11	1.13	0.74	0.55	1.22	0.68	
The cause of changes of more than 20% in financial rates over the last two years: <ol style="list-style-type: none"> <li>1. The increase in payables turnover and decrease in average collection days were resulted from the increase in operating income due to the shortened payment term.</li> <li>2. The increase in turnover of inventory and payables, and decrease in average inventory turnover days were due to increase of sales cost.</li> <li>3. The increase in turnover of property, plant, equipment, and total assets were due to the increase in operating income of 2021.</li> <li>4. The overall increase in profitability was due to (a) the price increase of MEG in 2021 was greater than that of the raw materials, resulting in a decrease in losses; (b) the increase profit of specialty chemicals.</li> <li>5. The overall increase in cash flow was due to the increase of cash inflow from business activities in 2021.</li> <li>6. The increase in operating leverage was due to the increase of operating income of 2021.</li> <li>7. The increase in financial leverage was due to the increase of operating profit in 2021.</li> </ol>									

Note 1: The financial statement for Q1 of 2022 was reviewed by the CPAs.

Note 2: The EPS is calculated on the basis of the weighted average number of shares outstanding minus the number of shares in circulation held by subsidiaries that are deemed to be treasury shares.

## 2.2 Individual financial analysis

Item		Year	Financial analysis for the last five years				
		2017	2018	2019	2020	2021	
Financial structure (%)	Liabilities to assets	36.39	37.68	44.91	46.71	44.75	
	Long-term fund for property, plant and equipment	317.75	343.87	363.54	350.76	315.63	
Liquidity analysis (%)	Current ratio	153.24	191.45	169.20	221.58	144.85	
	Quick ratio	82.29	118.43	127.92	155.57	98.48	
	Interest coverage ratio	32.37	36.44	1.30	(12.58)	17.53	
Operation performance analysis	Receivables turnover (times)	11.98	14.22	13.61	12.71	15.92	
	Average collection days	30.46	25.66	26.81	28.71	22.92	
	Inventory turnover (times)	16.54	15.24	14.92	18.21	25.74	
	Payables turnover (times)	14.14	16.97	15.00	14.96	15.18	
	Average inventory turnover days	22.07	23.95	24.46	20.04	14.18	
	Property, plant and equipment turnover (times)	1.84	2.18	1.83	1.57	2.26	
	Total assets turnover (times)	0.55	0.62	0.48	0.41	0.64	
Profitability	ROA (%)	7.84	7.60	0.37	(4.24)	4.12	
	ROE (%)	12.37	11.76	0.24	(8.31)	7.22	
	Ratio to paid-in capital (%)	Operating profit	14.45	15.03	0.60	0.08	12.96
		Net profit before tax	23.19	23.52	0.25	(12.19)	12.30
	Net income margin (%)	13.71	11.98	0.29	(10.87)	6.13	
	EPS (NT\$) (Note)	2.01	2.01	0.04	(1.22)	1.03	
Cash flow (%)	Cash flow ratio (%)	96.88	124.35	65.42	39.73	112.49	
	Cash flow adequacy ratio (%)	70.61	62.72	78.27	79.92	101.42	
	Cash flow reinvestment ratio (%)	4.00	0.79	(1.28)	0.35	6.10	
Leverage	Operating leverage	2.05	2.27	33.12	248.35	2.34	
	Financial leverage	1.05	1.05	(3.28)	(0.10)	1.05	

The cause of changes of more than 20% in financial rates over the last two years:

1. The decrease in current ratio and quick ratio resulted from the increase of payables in 2021.
2. The increase in interest coverage ratio was due to the increase of net profit before tax in 2021.
3. The increase in payables turnover and decrease in average collection days were resulted from the increase in operating income due to the shortened payment term.
4. The increase in turnover of inventory and payables, and decrease in average inventory turnover days were due to increase of sales cost.
5. The increase in turnover of property, plant, equipment, and total assets were due to the increase in operating income of 2021.
6. The overall increase in profitability was due to (a) the price increase of MEG in 2021 was greater than that of the raw materials, resulting in a decrease in losses; (b) the increase profit of specialty chemicals.
7. The overall increase in cash flow was due to the increase of cash inflow from business activities in 2021.
8. The decrease in operating leverage and increase in financial leverage were due to the increase of operating profit in 2021.

Note: The EPS is calculated on the basis of the weighted average number of shares outstanding minus the number of shares in circulation held by subsidiaries that are deemed to be treasury shares.

**The financial analysis formula:**

1. Financial structure

- (1) Liabilities to assets = Total liabilities / total assets
- (2) Long-term fund for property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment

2. Liquidity analysis

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities
- (3) Interest coverage ratio = earnings before interest and tax / interest expenses

3. Operation performance analysis

- (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / average accounts receivable (including accounts receivable and notes receivable resulting from operation)
- (2) Average collection days = 365 / accounts receivable turnover
- (3) Inventory turnover = cost of sales / average inventory
- (4) Payables (including accounts payable and notes payable resulting from operation) turnover = cost of sales / average accounts payable (including accounts payable and notes payable resulting from operation)
- (5) Average inventory turnover days = 365 / inventory turnover
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment
- (7) Total assets turnover rate = net sales / average total assets

4. Profitability

- (1) ROA = [ net income + interest expense × (1 – tax rate) ] / average total assets.
- (2) ROE = net income / average total equity
- (3) Net income margin = net income / net sales
- (4) Earnings Per Share = (income attributable to parent company – preferred stock dividend) / weighed average number of shares outstanding

5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activities / current liabilities
- (2) Cash flow adequacy ratio = Net cash flow from operating activities over the last five years / (capital expenditures + increase in inventory + cash dividends) over the last five years
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities-cash dividends) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital)

6. Leverage:

- (1) Operating leverage = (Net sales-variable operating costs and expenses) / operating income
- (2) Financial leverage = Operating income / (operating income-interest expenses)



### 3. The Audit Committee's Review Report

To the 2022 General Shareholders' Meeting of Oriental Union Chemical Union Corporation,

In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we have examined the Business Report, Financial Statements, and the Resolution for Allocation of Surplus Profit submitted by Board of Directors for the year ending 2021, which have been audited by the CPAs, Hsin-Wei Tai and Yu-Wei Fan of Deloitte & Touche, and found them in order.

The Convener of the Audit Committee:

March 7, 2022

**4. In the case of insolvency of the Company and its affiliates:** Nil

## 5. Consolidated financial statements and external auditor’s audit report for the recent year

(For the complete financial statements, please see the attachment to the annual report or view the MOPS on <https://mops.twse.com.tw/>)

### 2021 Independent Auditors’ Report

#### (English Translation of a Report Originally Issued in Chinese)

The Board of Directors and Stockholders  
Oriental Union Chemical Corporation

#### Opinion

We have audited the accompanying consolidated financial statements of Oriental Union Chemical Corporation and its subsidiaries (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 (“ROC”).

#### 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 ROC. 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 ROC, 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 descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2021 are as follow:

The Impairment Loss of Property, Plant and Equipment

The consolidated balances of property, plant and equipment amounted to \$12,991,435 thousand as of December 31, 2021. On each balance sheet date, the Group reviews its tangible assets for indications of impairment. If any indication thereof exists, the Group then estimates the recoverable amount of the assets. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will determine the recoverable amount for the asset's cash-generating unit. Because the aforementioned tangible assets represent 38% of total consolidated assets and the calculation for recoverable amount involves several assumptions and estimations, which directly impact the amount recognized as impairment losses, we deem the review of impairment of assets a key audit matter.

Corresponding audit procedures:

1. We obtained an understanding of management's estimation of asset impairment and of the design and execution for relevant controls.
2. We evaluated the rationality of management's identification of impairment indicators and the appropriateness of the assumptions. Given that there are impairment indications, we performed:
  - a. Obtained the asset impairment valuation form produced by the management for each cash-generating unit.
  - b. Consulted Deloitte firm internal experts regarding the appropriateness of the assumptions, including the classification of cash-generating units, forecast of cash flows, and discount rate.

**Other Matter**

We have also audited the parent company only financial statements of Oriental Union Chemical Corporation as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified report.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of the ROC, 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 the audit committee, are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the ROC 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 ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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 audit resulting in this independent auditors' report are Hsin-Wei Tai and Yu-Wei Fan.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 7, 2022

Notice to Readers

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

*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 ROC. 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.*



ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 6 and 28)	\$ 2,103,567	6	\$ 2,734,878	8
Financial assets at fair value through profit or loss (Note 7)	61,443	-	59,488	-
Financial assets at amortized cost (Notes 9 and 28)	385,591	1	-	-
Notes receivable, net (Notes 10 and 28)	222,825	1	193,353	1
Trade receivables, net (Note 10)	1,002,032	3	860,472	2
Trade receivables from related parties (Notes 10 and 28)	112,582	-	161,172	-
Other receivables (Note 28)	558,657	2	550,216	2
Inventories (Note 11)	1,401,534	4	989,670	3
Prepayments for purchases	207,749	1	235,263	1
Other prepayments	45,647	-	124,739	-
Other current assets (Note 17)	191,785	1	377,030	1
Total current assets	<u>6,293,412</u>	<u>19</u>	<u>6,286,281</u>	<u>18</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (Notes 8 and 28)	5,499,431	16	5,623,314	17
Financial assets at amortized cost (Notes 9, 28 and 29)	87,217	-	74,204	-
Investments accounted for using the equity method (Note 13)	1,331,028	4	1,854,779	6
Property, plant and equipment (Note 14)	12,991,435	38	13,837,770	41
Construction in progress (Note 14)	1,650,287	5	734,464	2
Right-of-use assets (Note 15)	386,150	1	401,940	1
Investment properties (Note 16)	1,991,406	6	1,991,488	6
Intangible assets	46,382	-	31,431	-
Deferred tax assets (Note 24)	556,899	2	749,996	2
Other non-current assets (Note 17)	2,942,524	9	2,517,960	7
Total non-current assets	<u>27,482,759</u>	<u>81</u>	<u>27,817,346</u>	<u>82</u>
<b>TOTAL</b>	<u>\$ 33,776,171</u>	<u>100</u>	<u>\$ 34,103,627</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 28)	\$ 5,471,310	16	\$ 6,885,222	20
Notes payable	-	-	98,209	1
Trade payables (Note 28)	1,556,601	5	1,100,550	3
Other payables (Note 19)	1,275,103	4	408,856	1
Other payables to related parties (Note 28)	74,149	-	55,860	-
Current tax liabilities (Note 24)	6,566	-	31,424	-
Lease liabilities (Note 15)	7,300	-	8,103	-
Other current liabilities (Note 20)	287,722	1	323,630	1
Total current liabilities	<u>8,678,751</u>	<u>26</u>	<u>8,911,854</u>	<u>26</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 18 and 29)	8,129,398	24	9,249,176	27
Deferred tax liabilities (Note 24)	720,629	2	705,372	2
Lease liabilities (Note 15)	2,881	-	7,130	-
Net defined benefit liabilities (Note 21)	230,482	1	259,680	1
Guarantee deposits	39,431	-	34,518	-
Other non-current liabilities (Note 20)	53,997	-	24,091	-
Total non-current liabilities	<u>9,176,818</u>	<u>27</u>	<u>10,279,967</u>	<u>30</u>
Total liabilities	<u>17,855,569</u>	<u>53</u>	<u>19,191,821</u>	<u>56</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 22)</b>				
Common stock	8,857,031	26	8,857,031	26
Capital surplus	1,006,828	3	956,286	3
Retained earnings				
Legal reserve	1,526,813	4	2,327,378	7
Special reserve	1,911,129	6	1,911,129	5
Unappropriated earnings (accumulated deficits)	882,237	3	(800,565)	(2)
Total retained earnings	<u>4,320,179</u>	<u>13</u>	<u>3,437,942</u>	<u>10</u>
Other equity				
Exchange differences on translating foreign operations	(496,003)	(2)	(472,288)	(1)
Unrealized loss on financial assets at fair value through other comprehensive income	(726,882)	(2)	(487,204)	(2)
Total other equity	<u>(1,222,885)</u>	<u>(4)</u>	<u>(959,492)</u>	<u>(3)</u>
Treasury stock	(124,373)	-	(187,798)	-
<b>NON-CONTROLLING INTERESTS</b>	<u>3,083,822</u>	<u>9</u>	<u>2,807,837</u>	<u>8</u>
Total equity	<u>15,920,602</u>	<u>47</u>	<u>14,911,806</u>	<u>44</u>
<b>TOTAL</b>	<u>\$ 33,776,171</u>	<u>100</u>	<u>\$ 34,103,627</u>	<u>100</u>

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

**ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020****(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)**

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales revenue (Note 28)	\$ 27,466,680	100	\$ 18,713,712	100
Other operating revenue	<u>15,039</u>	-	<u>49,447</u>	-
Total operating revenue	<u>27,481,719</u>	<u>100</u>	<u>18,763,159</u>	<u>100</u>
COST OF GOODS SOLD (Notes 11, 23 and 28)	<u>24,929,674</u>	<u>91</u>	<u>18,245,325</u>	<u>97</u>
GROSS PROFIT	<u>2,552,045</u>	<u>9</u>	<u>517,834</u>	<u>3</u>
OPERATING EXPENSES (Notes 23 and 28)				
Selling and marketing expenses	663,766	2	545,283	3
General and administrative expenses	269,229	1	277,940	1
Research and development expenses	195,881	1	149,965	1
Expected credit loss (Note 10)	<u>1,177</u>	-	<u>638</u>	-
Total operating expenses	<u>1,130,053</u>	<u>4</u>	<u>973,826</u>	<u>5</u>
PROFIT (LOSS) FROM OPERATIONS	<u>1,421,992</u>	<u>5</u>	<u>(455,992)</u>	<u>(2)</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	42,555	-	62,096	-
Rental income (Note 28)	39,554	-	39,323	-
Dividend income	71,542	-	49,990	-
Other income (Note 23)	621,988	3	208,598	1
Foreign currency exchange gain	11,598	-	11,088	-
Gain on financial assets at fair value through profit or loss	332	-	5,512	-
Other expenses (Note 23)	(59,562)	-	(214,908)	(1)
Interest expense (Notes 23 and 28)	(260,011)	(1)	(367,029)	(2)
Share of loss of associates accounted for using the equity method (Note 13)	<u>(514,913)</u>	<u>(2)</u>	<u>(645,967)</u>	<u>(3)</u>
Total non-operating income and expenses	<u>(46,917)</u>	<u>-</u>	<u>(851,297)</u>	<u>(5)</u>
PROFIT (LOSS) BEFORE INCOME TAX	1,375,075	5	(1,307,289)	(7)
INCOME TAX EXPENSE (Note 24)	<u>188,320</u>	<u>1</u>	<u>164,358</u>	<u>1</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>1,186,755</u>	<u>4</u>	<u>(1,471,647)</u>	<u>(8)</u>

(Continued)

**ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

	2021		2020	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE LOSS</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 21)	\$ (21,901)	-	\$ (12,488)	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	(239,678)	(1)	(294,548)	(2)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	4,380	-	2,498	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statement of foreign operations	(27,084)	-	102,767	1
Share of the other comprehensive (loss) income of associates accounted for using the equity method	(7,643)	-	23,219	-
Other comprehensive loss for the year, net of income tax	(291,926)	(1)	(178,552)	(1)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>\$ 894,829</u>	<u>3</u>	<u>\$ (1,650,199)</u>	<u>(9)</u>
<b>NET PROFIT (LOSS) PROFIT ATTRIBUTED TO:</b>				
Owners of the Corporation	<u>\$ 899,758</u>	<u>3</u>	<u>\$ (1,064,698)</u>	<u>(6)</u>
Non-controlling interests	<u>\$ 286,997</u>	<u>1</u>	<u>\$ (406,949)</u>	<u>(2)</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) INCOME ATTRIBUTED TO:</b>				
Owners of the Corporation	<u>\$ 618,844</u>	<u>2</u>	<u>\$ (1,285,389)</u>	<u>(7)</u>
Non-controlling interests	<u>\$ 275,985</u>	<u>1</u>	<u>\$ (364,810)</u>	<u>(2)</u>
<b>EARNINGS (LOSS) PER SHARE (Note 25)</b>				
Basic	<u>\$ 1.03</u>		<u>\$ (1.22)</u>	
Diluted	<u>\$ 1.03</u>		<u>\$ (1.22)</u>	

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

(Concluded)



**ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES**

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

	Equity Attributable to Owners of the Corporation										
	Capital Surplus					Other Equity					
	Common Stock	Paid-in Capital in Excess of Par Value	Treasury Stock	Other	Retained Earnings	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating Foreign Operations	Unappropriated Earnings (Accumulated Deficits)	Treasury Stock	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2020	\$ 8,857,031	\$ 470,767	\$ 318,661	\$ 35,794	\$ 2,325,353	\$ 541,859	\$ (556,135)	\$ (2,025)	\$ (187,798)	\$ 3,199,590	\$ 16,723,595
Legal reserve	-	-	-	2,025	-	-	-	(2,025)	-	-	-
Cash dividends	-	-	-	-	-	(265,711)	-	(265,711)	-	-	(265,711)
Net loss for the year ended December 31, 2020	-	-	-	-	-	(1,064,698)	-	(1,064,698)	-	(406,949)	(1,471,647)
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	(9,920)	83,847	(9,920)	-	42,139	(178,552)
Total comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	(1,074,688)	83,847	(1,074,688)	-	(364,810)	(1,650,199)
Change in capital surplus from dividends distributed to subsidiary	-	-	4,126	-	-	-	-	-	-	-	4,126
Changes in percentage of ownership interests in subsidiaries	-	-	-	16,367	-	-	-	-	-	(26,943)	(10,576)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	110,571	-	-	-	-	-	-	110,571
BALANCE AT DECEMBER 31, 2020	8,857,031	470,767	322,787	162,732	2,327,578	(800,565)	(472,288)	(800,565)	(187,798)	2,807,837	14,911,806
Legal reserve to offset the deficit	-	-	-	(800,565)	-	800,565	-	800,565	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	899,758	-	899,758	-	286,997	1,186,755
Other comprehensive loss for the year ended December 31, 2021	-	-	-	-	-	(17,521)	(23,715)	(17,521)	-	(11,012)	(291,926)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	882,237	(23,715)	882,237	-	275,985	894,829
Stocks of the parent company disposed of by the subsidiary and recognized as treasury shares transaction	-	-	50,542	-	-	-	-	-	63,425	-	113,967
BALANCE AT DECEMBER 31, 2021	\$ 8,857,031	\$ 470,767	\$ 373,329	\$ 162,732	\$ 1,526,813	\$ 882,237	\$ (496,003)	\$ (726,882)	\$ (124,373)	\$ 3,083,822	\$ 15,920,602

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

**ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before income tax	\$ 1,375,075	\$ (1,307,289)
Adjustments :		
Depreciation expenses	1,081,452	1,044,194
Amortization expenses	15,015	16,888
Expected credit loss	1,177	638
Gain on financial assets at fair value through profit or loss, net	(332)	(5,512)
Interest expense	260,011	367,029
Interest income	(42,555)	(62,096)
Dividend income	(71,542)	(49,990)
Share of loss of associates accounted for using the equity method	514,913	645,967
Loss (gain) on disposal of property, plant and equipment	11,574	(6,412)
Write-downs of inventories	35,240	28,908
Unrealized (gain) loss on foreign currency exchange	(17,782)	38,026
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(1,623)	90,360
Notes receivable	(29,591)	60,546
Trade receivables	(142,618)	(212,339)
Trade receivables from related parties	48,590	(66,750)
Other receivables	(5,342)	(198,176)
Inventories	(446,896)	275,978
Prepayments	106,606	27,848
Other current assets	185,245	498,156
Notes payable	(98,209)	98,209
Trade payables	456,051	(215,030)
Other payables	738,368	(31,179)
Other current liabilities	(35,908)	132,255
Net defined benefit liabilities	(51,099)	(16,573)
Deferred revenue	-	(101,784)
Other non-current liabilities	29,906	24,091
Cash generated from operations	3,915,726	1,075,963
Interest received	39,456	68,711
Interest paid	(262,325)	(349,499)
Income tax paid	(1,500)	(43,574)
Net cash generated from operating activities	<u>3,691,357</u>	<u>751,601</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(115,795)	-
Proceeds from the capital reduction of financial assets at fair value through other comprehensive income	-	42,000
(Payments for) proceeds from disposal of financial assets at amortized cost	(398,171)	442,734
Payments for property, plant and equipment	(17,299)	(15,052)

(Continued)

**ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	2021	2020
Proceeds from disposal of property, plant and equipment	\$ 3,649	\$ 2,612
Payments for intangible assets	(22,981)	(10,857)
Acquisition of right-of-use assets	(439)	-
(Increase) decrease in other non-current assets	(431,608)	145,854
Increase in construction in progress	(1,016,806)	(498,259)
Other dividend received	<u>71,542</u>	<u>49,990</u>
Net cash (used in) generated from investing activities	<u>(1,927,908)</u>	<u>159,022</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short-term borrowings	(1,384,279)	(1,142,496)
Repayments of short-term bills payable	-	(200,000)
Proceeds from long-term borrowings	13,420,000	13,330,787
Repayments of long-term borrowings	(14,539,778)	(13,021,218)
Increase in guarantee deposits	4,913	11,100
Repayment of the principal portion of lease liabilities	(8,411)	(9,274)
Dividends paid to owners of the Corporation	-	(261,585)
Proceeds from reissuance of treasury stock	<u>113,967</u>	<u>-</u>
Net cash used in financing activities	<u>(2,393,588)</u>	<u>(1,292,686)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(1,172)</u>	<u>18,387</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(631,311)	(363,676)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>2,734,878</u>	<u>3,098,554</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 2,103,567</u>	<u>\$ 2,734,878</u>

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

(Concluded)

# ORIENTAL UNION CHEMICAL CORPORATION 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)

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### 1. GENERAL INFORMATION

Oriental Union Chemical Corporation (the “Corporation”) was incorporated in December 1975. It manufactures and markets ethylene glycols, ethylene oxide, gas oxygen, gas nitrogen, liquid nitrogen, liquid argon, monoethanolamine, ethylene carbonate, polyethylene glycol, polyoxyethylene lauryl ether and methoxy polyethylene glycols. Its stocks were listed on the Taiwan Stock Exchange (“TWSE”) on October 21, 1987.

The consolidated financial statements of the Corporation and its subsidiaries, collectively the “Group”, are presented in the Corporation’s functional currency, New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 7, 2022.

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

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

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

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 above 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 above standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.



#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

- 1) Assets 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.

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

d. Basis of consolidation

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

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

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

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

See Note 12, Table 6 and Table 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

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

For the purpose of presenting consolidated financial statements, the financial statements of the Corporation and its foreign operations (including subsidiaries and associates in other countries) that are prepared using functional currencies which are different from the currency of the Corporation are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

f. Inventories

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

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is not a subsidiary. The Group uses the equity method to account for its investments in associates.

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

When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associates directly disposed of the related assets or liabilities.

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

h. Property, plant and equipment

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

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

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

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

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of property, plant and equipment, right-of-use asset, investment properties and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties and intangible assets, 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.

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 corresponding 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.

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI. Fair value is determined in the manner described in Note 27.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset.

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, and other receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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

For internal credit risk management purposes, the Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is overdue unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

m. Revenue recognition

Revenue from the sale of goods and rendering of services

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

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.

When another party is involved in providing goods or services to a customer, the Group recognizes revenue in the gross amount if it controls each specified good or service before that good or service is transferred to the customer (the Group is a principal); otherwise, the Group recognizes revenue in the net amount (the Group is an agent).

A specified good or service is a distinct good or service, the Group determines whether it is a principal or an agent for each specified good or service.

The Group is a principal if it meets any one of the following conditions:

- 1) The Group obtains control of a good or service from the other party before the Group transfers the good or service to a customer.
- 2) The Group has a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf.
- 3) The Group obtains control of a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer.

Indicators that are used to determine whether the Group controls the specified good or service before it is transferred to the customer include, but are not limited to, the following:

- 1) The Group is primarily responsible for fulfilling the promise to provide the specified good or service.
- 2) The Group has inventory risk before and after the specified good or service has been transferred to a customer or after transfer of control to the customer.
- 3) The Group has discretion in establishing the price for the specified good or service.

n. Leases

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

1) The Group as lessor

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments. 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 lessee's incremental borrowing rate will be used.

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 future lease payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

o. Borrowing costs

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

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



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

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

q. 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 rereasurement) 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 (assets)) is recognized as employee benefits expense in the period in which they occur. Rereasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) 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.

r. Taxation

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

1) Current tax

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

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

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

## 2) Deferred tax

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

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (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, estimates and assumptions on 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 possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## Key Sources of Estimation Uncertainty

### Impairment assessment of property, plant and equipment

In the process of assessing impairment, the Group relies on subjective judgment to determine whether the specific group of assets have indications of impairment, according to the usage of the assets and the business' characteristics. Alteration of estimates from any change in economic conditions or business strategy may lead to significant future impairment loss.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 110	\$ 110
Checking accounts and demand deposits	1,507,390	1,632,260
Cash equivalents		
Time deposits with original maturities of less than 3 months	126,067	532,508
Repurchase agreements collateralized by bonds	<u>470,000</u>	<u>570,000</u>
	<u>\$ 2,103,567</u>	<u>\$ 2,734,878</u>

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Bank balance	0.01%-2.00%	0.03%-2.35%
Repurchase agreements collateralized by bonds	0.25%	0.23%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Financial assets mandatorily classified as at FVTPL		
Domestic listed shares	\$ 61,443	\$ 56,421
Domestic mutual funds	<u>-</u>	<u>3,067</u>
	<u>\$ 61,443</u>	<u>\$ 59,488</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

	<u>December 31</u>	
	2021	2020
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 1,511,862	\$ 1,481,023
Unlisted shares	<u>3,987,569</u>	<u>4,142,291</u>
	<u>\$ 5,499,431</u>	<u>\$ 5,623,314</u>

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Time deposits with original maturities of more than 3 months (a)	<u>\$ 385,591</u>	<u>\$ -</u>
<u>Non-current</u>		
Pledged certificates of deposits (b)	<u>\$ 87,217</u>	<u>\$ 74,204</u>

- a. The ranges of interest rates for time deposits with original maturities of more than 3 months were 2.48%-2.67% per annum as of December 31, 2021.
- b. The ranges of interest rates for the pledged certificates of deposits were 0.32%-0.76% and 0.01%-1.75% per annum as of December 31, 2021 and 2020, respectively. The Group assesses there has not been a significant expected credit losses and an increase in credit risk since the original recognize.

Refer to Note 29 for information relating to financial assets at amortized cost as security.

## 10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	2021	2020
<u>Notes receivable</u>		
Notes receivable	\$ 223,291	\$ 193,700
Less: Allowance for impairment loss	<u>(466)</u>	<u>(347)</u>
	<u>\$ 222,825</u>	<u>\$ 193,353</u>
<u>Trade receivables</u>		
Trade receivables	\$ 1,120,299	\$ 1,026,271
Less: Allowance for impairment loss	<u>(5,685)</u>	<u>(4,627)</u>
	<u>\$ 1,114,614</u>	<u>\$ 1,021,644</u>

The Group applies for expected credit losses, which permits the use of lifetime expected loss provision for all notes receivable and trade receivables. The expected credit losses on notes receivable and trade receivables are estimated using a 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 forecasted direction of economic conditions at the reporting date.

The following table details the loss allowance of notes receivable and trade receivables.

### December 31, 2021

	0 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 150 Days	Total
Carrying amount	\$ 1,320,141	\$ 20,157	\$ 3,155	\$ 137	\$ 1,343,590
Loss allowance (Lifetime ECLs)	<u>(466)</u>	<u>(2,393)</u>	<u>(3,155)</u>	<u>(137)</u>	<u>(6,151)</u>
Amortized cost	<u>\$ 1,319,675</u>	<u>\$ 17,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,337,439</u>

### December 31, 2020

	0 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 150 Days	Total
Carrying amount	\$ 1,198,700	\$ 19,491	\$ 1,712	\$ 68	\$ 1,219,971
Loss allowance (Lifetime ECLs)	<u>(347)</u>	<u>(2,847)</u>	<u>(1,712)</u>	<u>(68)</u>	<u>(4,974)</u>
Amortized cost	<u>\$ 1,198,353</u>	<u>\$ 16,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,214,997</u>

The above aging schedule was based on the number of days past due from the invoice date.

The movements of the loss allowance of notes receivable and trade receivables were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 4,974	\$ 4,336
Net remeasurement of loss allowance	<u>1,177</u>	<u>638</u>
Balance at December 31	<u>\$ 6,151</u>	<u>\$ 4,974</u>

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Finished goods	\$ 985,429	\$ 636,674
Work in progress	25,489	12,013
Raw materials	<u>390,616</u>	<u>340,983</u>
	<u>\$ 1,401,534</u>	<u>\$ 989,670</u>

The nature of the cost of goods sold is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Cost of inventories sold	\$ 24,894,434	\$ 18,216,417
Inventory write-downs	<u>35,240</u>	<u>28,908</u>
	<u>\$ 24,929,674</u>	<u>\$ 18,245,325</u>

## 12. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	<b>Proportion of Ownership</b>		Remark
			<b>December 31</b>		
			<b>2021</b>	<b>2020</b>	
The Corporation	Ton Fu Investment Corp. ("TFIC")	Investment	100.0%	100.0%	-
	Pacific Petrochemical (Holding) Ltd. ("PPL")	Investment	100.0%	100.0%	-
	OUCC (Bermuda) Holding Ltd. ("OUCC (Bermuda)")	Investment	100.0%	100.0%	-
OUCC (Bermuda)	Oriental Petrochemical (Yangzhou) Corporation ("OPYC")	Manufacturing and selling ethanolamine (EA) and alcohol ethoxylates (AEO)	-	-	(2)
	Far Eastern Union Petrochemical (Yangzhou) Ltd. ("FUPY")	Manufacturing and selling chemical products (ethylene glycol, diethylene glycol, triethylene glycol and ethylene oxide) and other specific chemical products.	11.6%	11.6%	(1) and (2)
PPL	FUPY	Manufacturing and selling chemical products (ethylene glycol, diethylene glycol, triethylene glycol and ethylene oxide) and other specific chemical products.	44.2%	44.2%	(1) and (2)
	Tong Da Gas Industries (Yangzhou) Limited ("TDIY")	Manufacturing and selling gas oxygen, gas nitrogen, liquid oxygen, liquid nitrogen and liquid argon and the warehousing management of ethylene.	-	-	(2)

- 1) Subsidiary with material non-controlling interests.
  - 2) Because of changes in the operating environment, the Group merged its 100%-owned OPYC, 50%-owned FUPY and 50%-owned TDIY into one company to obtain cost-saving benefits by reducing operational process redundancy from the perspectives of the environment, the energy, and the quality. After the merger, FUPY was surviving company, while OPYC and TDIY were dissolved companies. The date of the merger was December 31, 2020. The aforementioned transaction was a reorganization under common control, so the components of Group's consolidated financial statements did not substantially changed. As the Group owned 55.8% equity of FUPY through OUCC (Bermuda) and PPL, the Group still had control over FUPY.
- b. Subsidiaries excluded from the consolidated financial statements: None.
- c. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31	December 31
		2021	2020
FUPY	Yang Zhou, China	44.2%	44.2%
TDIY	Yang Zhou, China	-	-

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests For the Year Ended December 31		Accumulated Non-controlling Interests December 31	
	2021	2020	2021	2020
FUPY	\$ 286,997	\$ (448,799)	\$ 3,083,822	\$ 2,807,837
TDIY	-	41,850	-	-
	<u>\$ 286,997</u>	<u>\$ (406,949)</u>	<u>\$ 3,083,822</u>	<u>\$ 2,807,837</u>

The summarized financial information below represents amounts before intragroup eliminations.

FUPY

	December 31	
	2021	2020
Current assets	\$ 3,098,307	\$ 3,544,355
Non-current assets	10,801,129	10,795,043
Current liabilities	(6,893,962)	(7,952,649)
Non-current liabilities	<u>(28,501)</u>	<u>(34,177)</u>
Equity	<u>\$ 6,976,973</u>	<u>\$ 6,352,572</u>
Equity attributable to:		
Owners of the Corporation	\$ 3,893,151	\$ 3,544,735
Non-controlling interests of FUPY	<u>3,083,822</u>	<u>2,807,837</u>
	<u>\$ 6,976,973</u>	<u>\$ 6,352,572</u>

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue	<u>\$ 12,792,949</u>	<u>\$ 8,555,649</u>
Net profit (loss) and comprehensive income (loss) for the year	<u>\$ 649,315</u>	<u>\$ (897,598)</u>
Net profit (loss) attributable to:		
Owners of the Corporation	\$ 362,318	\$ (448,799)
Realized gain from transactions between subsidiaries	<u>-</u>	<u>12,157</u>
Carrying amount of FUPY investments	<u>\$ 362,318</u>	<u>\$ (436,642)</u>
Non-controlling interests of FUPY	<u>\$ 286,997</u>	<u>\$ (448,799)</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 1,760,927	\$ 161,825
Investing activities	(639,091)	(35,973)
Financing activities	<u>(1,384,279)</u>	<u>218,699</u>
Net cash (outflow) inflow	<u>\$ (262,443)</u>	<u>\$ 344,551</u>

TDIY

	<b>For the Year Ended December 31, 2020</b>
Revenue	<u>\$ 724,761</u>
Net profit and comprehensive income for the year	<u>\$ 83,700</u>
Net profit attributable to:	
Owners of the Corporation	\$ 41,850
Non-controlling interests of TDIY	<u>41,850</u>
	<u>\$ 83,700</u>
Net cash inflow (outflow) from:	
Operating activities	\$ 179,338
Investing activities	342,492
Financing activities	<u>(575,433)</u>
Net cash outflow	<u>\$ (53,603)</u>



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

#### Investments in Associates

	<u>December 31</u>	
	2021	2020
Material associates		
Oriental Petrochemical (Shanghai) Corporation (“OPSC”)	\$ 1,098,907	\$ 1,574,342
Associates that are not individually material		
Hwa Xu Heat Supply Co. (“HXYZ”)	<u>232,121</u>	<u>280,437</u>
	<u>\$ 1,331,028</u>	<u>\$ 1,854,779</u>

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	<u>Proportion of Ownership and Voting Rights</u>	
			<u>December 31</u>	
			2021	2020
OPSC	Manufacture and sale of purified terephthalic acid	Shanghai, China	39%	39%

The share of profit or loss and other comprehensive income recognized from the investment accounted for using the equity method were calculated based on the associates’ financial statements which have been audited for the same years.

The summarized financial information below represents amounts shown in the associates’ financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

#### OPSC

	<u>December 31</u>	
	2021	2020
Current assets	\$ 2,276,252	\$ 1,864,000
Non-current assets	4,581,788	5,054,249
Current liabilities	(3,574,593)	(2,412,704)
Non-current liabilities	<u>(8,090)</u>	<u>-</u>
Equity	<u>\$ 3,275,357</u>	<u>\$ 4,505,545</u>
Proportion of the Group’s ownership	39%	39%
Equity attributable to the Group	\$ 1,265,836	\$ 1,741,271
Negative goodwill	<u>(166,929)</u>	<u>(166,929)</u>
Carrying amount	<u>\$ 1,098,907</u>	<u>\$ 1,574,342</u>
	<u>For the Year Ended December 31</u>	
	2021	2020
Operating revenue	<u>\$ 12,342,630</u>	<u>\$ 10,472,116</u>
Total comprehensive loss for the year	<u>\$ (1,210,413)</u>	<u>\$ (1,458,871)</u>

b. Aggregate information of associates that are not individually material

**For the Year Ended December 31**  
**2021**                      **2020**

The Group's share of:

Total comprehensive loss for the year                      \$ (47,121)                      \$ (82,153)

The investments accounted for using equity method and the share of profit or loss and other comprehensive loss of those investments for the years ended December 31, 2021 and 2020 were based on the associates' financial statements which have been audited for the same years.

**14. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS**

	Land	Land Improvements	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Equipment to Be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 1,591,461	\$ 355,668	\$ 1,761,753	\$ 24,305,161	\$ 777,400	\$ 1,078,421	\$ 29,869,864
Additions	-	-	-	9,152	5,901	545,656	560,709
Disposals	-	-	-	(29,975)	(9,162)	-	(39,137)
Effect of foreign currency exchange differences	-	-	18,553	150,983	1,827	1,014	172,377
Reclassification	-	57,682	36,221	765,036	9,503	(890,627)	(22,185)
Balance at December 31, 2020	<u>\$ 1,591,461</u>	<u>\$ 413,350</u>	<u>\$ 1,816,527</u>	<u>\$ 25,200,357</u>	<u>\$ 785,469</u>	<u>\$ 734,464</u>	<u>\$ 30,541,628</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ -	\$ 310,683	\$ 608,804	\$ 13,392,050	\$ 618,707	\$ -	\$ 14,930,244
Disposals	-	-	-	(23,524)	(7,542)	-	(31,066)
Depreciation expenses	-	5,554	56,726	927,169	36,069	-	1,025,518
Effect of foreign currency exchange differences	-	-	3,921	39,360	1,417	-	44,698
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 316,237</u>	<u>\$ 669,451</u>	<u>\$ 14,335,055</u>	<u>\$ 648,651</u>	<u>\$ -</u>	<u>\$ 15,969,394</u>
Carrying amounts at December 31, 2020	<u>\$ 1,591,461</u>	<u>\$ 97,113</u>	<u>\$ 1,147,076</u>	<u>\$ 10,865,302</u>	<u>\$ 136,818</u>	<u>\$ 734,464</u>	<u>\$ 14,572,234</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 1,591,461	\$ 413,350	\$ 1,816,527	\$ 25,200,357	\$ 785,469	\$ 734,464	\$ 30,541,628
Additions	-	-	1,153	15,634	513	1,165,289	1,182,589
Disposals	-	-	-	(44,394)	(12,464)	-	(56,858)
Effect of foreign currency exchange differences	-	-	469	241,478	7,113	(249,060)	-
Reclassification	-	-	(4,869)	(39,383)	(511)	(406)	(45,169)
Balance at December 31, 2021	<u>\$ 1,591,461</u>	<u>\$ 413,350</u>	<u>\$ 1,813,280</u>	<u>\$ 25,373,692</u>	<u>\$ 780,120</u>	<u>\$ 1,650,287</u>	<u>\$ 31,622,190</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 316,237	\$ 669,451	\$ 14,335,055	\$ 648,651	\$ -	\$ 15,969,394
Disposals	-	-	-	(32,316)	(9,319)	-	(41,635)
Depreciation expenses	-	5,544	56,485	967,501	33,831	-	1,063,361
Effect of foreign currency exchange differences	-	-	(950)	(9,314)	(388)	-	(10,652)
Reclassification	-	-	-	12,499	(12,499)	-	-
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 321,781</u>	<u>\$ 724,986</u>	<u>\$ 15,273,425</u>	<u>\$ 660,276</u>	<u>\$ -</u>	<u>\$ 16,980,468</u>
Carrying amounts at December 31, 2021	<u>\$ 1,591,461</u>	<u>\$ 91,569</u>	<u>\$ 1,088,294</u>	<u>\$ 10,100,267</u>	<u>\$ 119,844</u>	<u>\$ 1,650,287</u>	<u>\$ 14,641,722</u>

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

Land improvements	15-25 years
Buildings	7-60 years
Machinery and equipment	2-20 years
Other equipment	3-20 years

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Land	\$ 376,457	\$ 387,520
Buildings	384	-
Machinery and equipment	5,918	12,373
Transportation equipment	<u>3,391</u>	<u>2,047</u>
	<u>\$ 386,150</u>	<u>\$ 401,940</u>
	<u>For the Year Ended December 31</u>	
	2021	2020
Additions to right-of-use assets	<u>\$ 3,798</u>	<u>\$ 1,357</u>
Depreciation charge for right-of-use assets		
Land	\$ 9,766	\$ 9,425
Buildings	55	-
Machinery and equipment	6,456	6,456
Transportation equipment	<u>1,732</u>	<u>2,712</u>
	<u>\$ 18,009</u>	<u>\$ 18,593</u>

Except for depreciation recognized, the Group had no significant addition, disposal, and impairment of right-of-use assets for the years ended December 31, 2021 and 2020.

### b. Lease liabilities

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Current	<u>\$ 7,300</u>	<u>\$ 8,103</u>
Non-current	<u>\$ 2,881</u>	<u>\$ 7,130</u>

Ranges of discount rates for lease liabilities were 0.82%-1.17% and 0.79%-1.17% per annum as of December 31, 2021 and 2020, respectively.

c. Material lease-in activities and terms

Prepayments for leases include land use rights located in People's Republic of China; the Group has obtained the land use right certificates with lease terms of 45 to 50 years.

d. Other lease information

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

The Group as lessor

Operating leases relate to leasing the investment properties owned by the Corporation with lease terms between 1 and 10 years. According to the agreement, the lease can be terminated by either party by giving 2 to 3 months formal notice in writing to the other party.

## 16. INVESTMENT PROPERTIES

Cost

Balance at December 31, 2021 and 2020 \$ 2,023,323

	<b>Accumulated Depreciation</b>	<b>Accumulated Impairment</b>	<b>Total</b>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$ 25,239	\$ 6,513	\$ 31,752
Depreciation expenses	<u>83</u>	<u>-</u>	<u>83</u>
Balance at December 31, 2020	<u>\$ 25,322</u>	<u>\$ 6,513</u>	<u>\$ 31,835</u>
Balance at January 1, 2021	\$ 25,322	\$ 6,513	\$ 31,835
Depreciation expenses	<u>82</u>	<u>-</u>	<u>82</u>
Balance at December 31, 2021	<u>\$ 25,404</u>	<u>\$ 6,513</u>	<u>\$ 31,917</u>

The investment properties of land improvements held by the Group which are depreciated over their estimated useful lives of 16 years using the straight-line method.

The fair values of investment properties were \$3,673,587 thousand and \$3,317,798 thousand as of December 31, 2021 and 2020, respectively. The fair values were arrived at on the basis of a valuation carried out by independent qualified professional valuer, Mr. Chia-ho Tsai from Debenham Tie Leung Real Estate Appraiser Office.

## 17. OTHER ASSETS

	<u>December 31</u>	
	2021	2020
<u>Other assets</u>		
Silver and catalysts	\$ 2,504,653	\$ 2,105,852
Materials	527,540	518,926
Input tax	50,807	218,821
Others	<u>51,309</u>	<u>51,391</u>
	<u>\$ 3,134,309</u>	<u>\$ 2,894,990</u>
Current	\$ 191,785	\$ 377,030
Non-current	<u>2,942,524</u>	<u>2,517,960</u>
	<u>\$ 3,134,309</u>	<u>\$ 2,894,990</u>

Other assets include silver and catalysts used in the production, parts and components for the maintenance of equipment and input tax.

## 18. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	2021	2020
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 3,688,983	\$ 4,659,164
Loans from related parties (Note 28)	<u>1,782,327</u>	<u>2,226,058</u>
	<u>\$ 5,471,310</u>	<u>\$ 6,885,222</u>
Interest rate	2.5%-3.65%	1.06%-3.92%

### b. Long-term borrowings

	<u>December 31</u>	
	2021	2020
<u>Secured borrowings (Note 29)</u>		
Long-term commercial paper payables	<u>\$ 129,983</u>	\$ -
<u>Unsecured borrowings</u>		
Bank loans	7,100,000	7,360,000
Long-term commercial paper payables	<u>899,415</u>	<u>1,889,176</u>
	<u>7,999,415</u>	<u>9,249,176</u>
Long-term borrowing	<u>\$ 8,129,398</u>	<u>\$ 9,249,176</u>
Interest rate	0.30%-1.10%	0.35%-1.10%
Maturity date	December 2023	December 2022

## 19. OTHER PAYABLES

	December 31	
	2021	2020
Payables for silver and catalysts	\$ 684,952	\$ -
Payables for purchase of equipment	245,487	97,051
Payables for salaries	65,299	41,299
Freight payables	46,545	45,558
Interest payables	40,385	42,699
Payables for employees' compensation and remuneration of directors	27,099	2,013
Payables for export sales expenses	30,799	20,400
Payables for royalties	14,593	19,221
Payables for annual leave	9,000	4,000
Payables for taxes	9,383	6,797
Payables for dividends	4,860	3,424
Others	<u>96,701</u>	<u>126,394</u>
	<u>\$ 1,275,103</u>	<u>\$ 408,856</u>

## 20. OTHER LIABILITIES

	December 31	
	2021	2020
Contract liabilities	\$ 266,552	\$ 306,493
Provisions for repairs and maintenance	53,997	24,091
Others	<u>21,170</u>	<u>17,137</u>
	<u>\$ 341,719</u>	<u>\$ 347,721</u>
Current	\$ 287,722	\$ 323,630
Non-current	<u>53,997</u>	<u>24,091</u>
	<u>\$ 341,719</u>	<u>\$ 347,721</u>

Contract liabilities were receipts in advance.

## 21. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

The employees of the Group's subsidiary in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The subsidiary, TFIC, has not set up a retirement benefit plan because it is served concurrently by the employees of the Corporation.

b. Defined benefit plan

The defined benefit plan adopted by the Corporation of the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contribute amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 338,204	\$ 322,582
Fair value of plan assets	<u>(107,722)</u>	<u>(62,902)</u>
Net defined benefit liabilities	<u>\$ 230,482</u>	<u>\$ 259,680</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2020	<u>\$ 382,672</u>	<u>\$ (118,907)</u>	<u>\$ 263,765</u>
Service cost			
Current service cost	9,291	-	9,291
Net interest expense (income)	<u>2,870</u>	<u>(941)</u>	<u>1,929</u>
Recognized in profit or loss	<u>12,161</u>	<u>(941)</u>	<u>11,220</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,297)	(4,297)
Actuarial loss - changes in financial assumptions	8,855	-	8,855
Actuarial loss - experience adjustments	<u>7,930</u>	<u>-</u>	<u>7,930</u>
Recognized in other comprehensive income (loss)	<u>16,785</u>	<u>(4,297)</u>	<u>12,488</u>
Contributions from the employer	-	(27,793)	(27,793)
Benefits paid	<u>(89,036)</u>	<u>89,036</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 322,582</u>	<u>\$ (62,902)</u>	<u>\$ 259,680</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2021	<u>\$ 322,582</u>	<u>\$ (62,902)</u>	<u>\$ 259,680</u>
Service cost			
Current service cost	7,957	-	7,957
Net interest expense (income)	<u>1,613</u>	<u>(342)</u>	<u>1,271</u>
Recognized in profit or loss	<u>9,570</u>	<u>(342)</u>	<u>9,228</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,330)	(1,330)
Actuarial loss - changes in demographic assumptions	10,514	-	10,514
Actuarial loss - experience adjustments	<u>12,717</u>	<u>-</u>	<u>12,717</u>
Recognized in other comprehensive income (loss)	<u>23,231</u>	<u>(1,330)</u>	<u>21,901</u>
Contributions from the employer	-	(60,327)	(60,327)
Benefits paid	<u>(17,179)</u>	<u>17,179</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 338,204</u>	<u>\$ (107,722)</u>	<u>\$ 230,482</u> (Concluded)

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

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

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)	0.50%	0.50%
Expected rate(s) of long-term salary increase	2.00%	2.00%



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

	<u>December 31</u>	
	2021	2020
Discount rate(s)		
0.25% increase	<u>\$ (8,874)</u>	<u>\$ (8,855)</u>
0.25% decrease	<u>\$ 9,210</u>	<u>\$ 9,203</u>
Expected rate(s) of long-term salary increase		
0.25% increase	<u>\$ 8,911</u>	<u>\$ 8,901</u>
0.25% decrease	<u>\$ (8,633)</u>	<u>\$ (8,612)</u>

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

	<u>December 31</u>	
	2021	2020
The expected contributions to the plan for the next year	<u>\$ 10,808</u>	<u>\$ 10,816</u>
The average duration of the defined benefit obligation	11.2 years	11.8 years

## 22. EQUITY

### a. Common stock

	<u>December 31</u>	
	2021	2020
Number of stocks authorized (in thousands)	<u>1,000,000</u>	<u>1,000,000</u>
Stocks authorized	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Number of stocks issued and fully paid (in thousands)	<u>885,703</u>	<u>885,703</u>
Stocks issued	<u>\$ 8,857,031</u>	<u>\$ 8,857,031</u>

A total of 10,000 thousand stocks of the Corporation's stock were authorized to be reserved for the issuance of employee stock options.

### b. Capital surplus

	<u>December 31</u>	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or transferred to capital stock (Note)		
Issuance of common stock	\$ 470,767	\$ 470,767
Changes in percentage of ownership interests in subsidiaries	16,367	16,367
Treasury stock transactions	373,329	322,787
Only be used to offset a deficit		
Dividends unclaimed by stockholders	35,794	35,794
Changes in capital surplus from investments in associates accounted for using the equity method	<u>110,571</u>	<u>110,571</u>
	<u>\$ 1,006,828</u>	<u>\$ 956,286</u>

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

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Corporation's Articles of Incorporation ("Articles"), apart from paying all its income taxes in the case where there are profits at the end of the year, the Corporation shall make up for accumulated deficits in past years. Where there is still balance, 10% of the unappropriated earnings from the yearly net income coupled with other items that recognized in retained earning directly thereof shall be set aside by the Corporation as legal reserve. Subject to certain business conditions under which the Corporation may retain a portion, and distribute to the shareholders the remainder after deducting special reserve as required by law together with undistributed profits from previous years in proportion to the number of the shares held by each shareholders as shareholders' dividend. When there is a share capital increase, the distributed dividends of the year for the new shares shall be dealt with according to the resolution of the stockholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors before and after amendment, refer to Note 23 (d) "Employee benefits expense".

In accordance with the Articles, the dividend distribution takes into consideration the characteristics of industry that the Group operates in and the forthcoming capital requirement and tax policy that is influenced by the Group's products or services, and it should be settled for the purpose of maintaining stable dividends. For the purposes of improving the financial structure effectively, coping with reinvestment, expanding capacity or other significant capital expenditures in which capital is required, when distributing stockholders' dividend, the dividend payout ratio each fiscal year shall be no less than 50% of the final surplus which is the sum of after-tax profit of the fiscal year to offset previous loss, if any, and to appropriate legal reserve and special reserve as required by law; the amount of cash dividends shall not be less than 10% of the total dividends and bonuses to be distributed to stockholders in the fiscal year.

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", shall be appropriated to or reversed from a special reserve by the Corporation. Any appropriated special reserve may be reversed to the extent that the net debit balance reverses, and thereafter it is distributed.

The deficit compensation for 2020 was approved in the stockholders' meetings on July 15, 2021. After total accumulated deficit of \$800,565 thousand was offset with the legal reserve, the accumulated deficit amounted to \$0 thousand and the legal reserve amounted to \$1,526,813 thousand.

The appropriation of earnings for 2019 was approved in the stockholder's meetings on June 16, 2020. The appropriation and dividends per share were as follows:

	<b>For the Year Ended December 31, 2019</b>
Legal reserve	\$ 2,025
Cash dividends	<u>\$ 265,711</u>
Cash dividends per share (NT\$)	\$ 0.30

The appropriation of earnings for 2021 was proposed by the Corporation's board of directors on March 7, 2022. The appropriation and dividends per share were as follows:

	<b>For the Year Ended December 31, 2021</b>
Legal reserve	\$ 88,224
Cash dividends	<u>\$ 619,992</u>
Cash dividends per share (NT\$)	\$ 0.70

The appropriation of earnings for 2021 will be resolved by the shareholders' in their meeting on June 9, 2022.

d. Special reserves

On the first-time adoption of IFRSs, the Corporation appropriated to special reserve, the amounts that were the same as the unrealized revaluation increment, the fair value of investment properties at the date of transition as the deemed cost and the cumulative translation differences transferred to retained earnings, which were \$985,545 thousand, \$787,176 thousand and \$138,408 thousand, respectively.

e. Treasury stock

The Corporation's stocks held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Stocks Held (In Thousands of Stocks)	Carrying Amount	Market Price
<u>December 31, 2021</u>			
TFIC	9,109	<u>\$ 124,373</u>	<u>\$ 204,032</u>
<u>December 31, 2020</u>			
TFIC	13,754	<u>\$ 187,798</u>	<u>\$ 279,197</u>

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury stocks nor exercise stockholders' rights on these stocks, such as rights to dividends and to vote. The subsidiaries holding treasury stock, however, retain stockholders' rights, except the rights to participate in any stock issuance for cash and to vote.

## 23. NET PROFIT (LOSS)

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Settlement of insurance claims (Note)	\$ 584,124	\$ 8,804
Government grants	12,989	118,070
Others	<u>24,875</u>	<u>81,724</u>
	<u>\$ 621,988</u>	<u>\$ 208,598</u>

Note: It's primarily the insurance compensation on the damage of silver and catalysts in 2021.

### b. Interest expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans	\$ 187,010	\$ 307,958
Interest on loans from related parties (Note 28)	72,840	58,824
Interest on lease liabilities	138	216
Other interest expense	<u>23</u>	<u>31</u>
	<u>\$ 260,011</u>	<u>\$ 367,029</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Capitalized interest	<u>\$ 5,747</u>	<u>\$ 1,013</u>
Capitalization rate	0.22%-1.10%	0.34%-1.17%

### c. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 1,063,361	\$ 1,025,518
Intangible assets and other assets	15,015	16,888
Right-of-use assets	18,009	18,593
Investment properties	<u>82</u>	<u>83</u>
	<u>\$ 1,096,467</u>	<u>\$ 1,061,082</u>
An analysis of depreciation by function		
Operating costs	\$ 998,276	\$ 980,443
Operating expenses	83,094	63,668
Non-operating expenses and losses	<u>82</u>	<u>83</u>
	<u>\$ 1,081,452</u>	<u>\$ 1,044,194</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
An analysis of amortization by function		
Operating costs	\$ 11,150	\$ 13,429
Operating expenses	<u>3,865</u>	<u>3,459</u>
	<u>\$ 15,015</u>	<u>\$ 16,888</u>
		(Concluded)

d. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Salary expense	\$ 547,712	\$ 451,987
Insurance expense	54,005	49,957
Post-employment benefits (Note 21)		
Defined contribution plans	28,432	12,115
Defined benefit plans	9,228	11,220
Other employee benefits	<u>97,254</u>	<u>83,473</u>
Total employee benefits expense	<u>\$ 736,631</u>	<u>\$ 608,752</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 403,892	\$ 362,710
Operating expenses	<u>332,739</u>	<u>246,042</u>
	<u>\$ 736,631</u>	<u>\$ 608,752</u>

In compliance with the Articles, the Corporation accrued employees' compensation and remuneration of directors at the rates from 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. However, if the Corporation has accumulated any deficit, the profit should be set aside for offsetting the losses. The Group did not accrue employees' compensation and remuneration of directors because of net loss before tax for the year ended December 31, 2020. The compensation of employees and the remuneration of directors for the year ended 2021, which was approved by the Corporation's board of directors on March 7, 2022, is as follow:

Accrual rate

	<b>For the Year Ended December 31, 2021</b>
Compensation of employees	1.50%
Remuneration of directors	0.75%

Amount

**For the Year  
Ended  
December 31,  
2021**

Compensation of employees	<u>\$ 16,724</u>
Remuneration of directors	<u>\$ 8,362</u>

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

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors is available on the Market Observation Post System website of the TWSE.

## 24. INCOME TAXES

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ -	\$ 41,105
Adjustments for prior years	<u>(23,358)</u>	<u>(1,327)</u>
	<u>(23,358)</u>	<u>(39,778)</u>
Deferred tax		
In respect of the current year	<u>211,678</u>	<u>124,580</u>
Income tax expense recognized in profit or loss	<u>\$ 188,320</u>	<u>\$ 164,358</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit (loss) before tax	<u>\$ 1,375,075</u>	<u>\$ (1,307,289)</u>
Income tax expense (benefit) calculated at the statutory rate	\$ 275,015	\$ (261,458)
Nondeductible expenses in determining taxable income	9,739	16,655
Tax-exempt income	(22,708)	(17,655)
Unrecognized deductible temporary differences	(47,266)	28,764
Unrecognized loss carryforwards	-	362,010
Effect of different tax rate of group entities operating in other jurisdictions	(3,102)	37,369
Adjustments for prior years	<u>(23,358)</u>	<u>(1,327)</u>
Income tax expense recognized in profit or loss	<u>\$ 188,320</u>	<u>\$ 164,358</u>

In accordance with Rule No. 10904550440 issued by the Ministry of Finance of Taiwan (MOF), the Group used the losses incurred in the first quarter of 2020 to estimate losses for the first six months of 2020 and this amount is deducted from the Group's unappropriated earnings for 2018 for filing the additional tax. For the 2020 consolidated financial reporting purpose, the tax on unappropriated earnings for 2018 is measured based on the actual loss for 2020, and the current income tax payable is adjusted accordingly.

As the status of the 2021 appropriation of earnings will be resolved by shareholders in their meeting is uncertain, the potential income tax consequence of the 2020 unappropriated earnings is not reliably determinable. Because of net loss for the year ended December 31, 2020, there was no potential income tax consequence of the unappropriated earnings.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plans	\$ <u>4,380</u>	\$ <u>2,498</u>

c. Current tax liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Income tax payable	\$ <u>6,566</u>	\$ <u>31,424</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Recognition of loss on foreign investments using equity method	\$ 177,836	\$ 21,218	\$ -	\$ -	\$ 199,054
Defined benefit obligation	51,936	(10,220)	4,380	-	46,096
Allowance for inventories	4,171	5,674	-	(10)	9,835
Loss carryforwards	<u>516,053</u>	<u>(212,985)</u>	<u>-</u>	<u>(1,154)</u>	<u>301,914</u>
	<u>\$ 749,996</u>	<u>\$ (196,313)</u>	<u>\$ 4,380</u>	<u>\$ (1,164)</u>	<u>\$ 556,899</u>
<u>Deferred tax liabilities</u>					
Land revaluation increment tax	\$ 341,231	\$ -	\$ -	\$ -	\$ 341,231
Property, plant and equipment	341,378	15,365	-	(108)	356,635
Investment properties	14,814	-	-	-	14,814
Others	<u>7,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,949</u>
	<u>\$ 705,372</u>	<u>\$ 15,365</u>	<u>\$ -</u>	<u>\$ (108)</u>	<u>\$ 720,629</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Recognition of loss on foreign investments using equity method	\$ 359,876	\$ (182,040)	\$ -	\$ -	\$ 177,836
Defined benefit obligation	52,753	(3,315)	2,498	-	51,936
Allowance for inventories	4,107	-	-	64	4,171
Loss carryforwards	422,847	89,329	-	3,877	516,053
Others	<u>13,128</u>	<u>(13,128)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 852,711</u>	<u>\$ (109,154)</u>	<u>\$ 2,498</u>	<u>\$ 3,941</u>	<u>\$ 749,996</u>
<u>Deferred tax liabilities</u>					
Land revaluation increment tax	\$ 341,231	\$ -	\$ -	\$ -	\$ 341,231
Property, plant and equipment	325,562	15,426	-	390	341,378
Investment properties	14,814	-	-	-	14,814
Others	<u>7,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,949</u>
	<u>\$ 689,556</u>	<u>\$ 15,426</u>	<u>\$ -</u>	<u>\$ 390</u>	<u>\$ 705,372</u>

e. Income tax assessments

The Corporation's income tax returns through 2019 have been assessed by the tax authorities.

The income tax returns of TFIC through 2019 have been assessed by the tax authorities.

**25. EARNINGS (LOSS) PER SHARE**

	<u>For the Year Ended December 31</u>	
	2021	2020
Basic earnings (loss) per share	<u>\$ 1.03</u>	<u>\$ (1.22)</u>
Diluted earnings (loss) per share	<u>\$ 1.03</u>	<u>\$ (1.22)</u>

The net profit (loss) and weighted average number of common stock outstanding in the computation of earnings (loss) per share were as follows:

**Net Profit (Loss) for the Year**

	<u>For the Year Ended December 31</u>	
	2021	2020
Net profit (loss) used in the computation of basic earnings (loss) per share	<u>\$ 899,758</u>	<u>\$ (1,064,698)</u>



Weighted average number of common stock outstanding (in thousand stocks):

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of common stock	885,703	885,703
Less: Reclassification of the Corporation's stocks held by subsidiaries	<u>(12,756)</u>	<u>(13,754)</u>
Weighted average number of common stock used in the computation of basic earnings (loss) per share	872,947	871,949
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	<u>747</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	<u>873,694</u>	<u>871,949</u>

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

## 26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stockholders through the optimization of the debt and equity balance. The capital structure of the Group consists of bank loans and equity of the Group.

Financial management department of the Group reviews the capital structure on a monthly basis. As part of this review, the financial management department considers whether there were exceptions between the current ratio, the debt ratio and the target ratio set by the financial management department.

## 27. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of non-financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or the fair values cannot be reliably measured.

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

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 61,443	\$ -	\$ -	\$ 61,443
Domestic mutual funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 61,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,443</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 1,511,862	\$ -	\$ -	\$ 1,511,862
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>3,987,569</u>	<u>3,987,569</u>
	<u>\$ 1,511,862</u>	<u>\$ -</u>	<u>\$ 3,987,569</u>	<u>\$ 5,499,431</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 56,421	\$ -	\$ -	\$ 56,421
Domestic mutual funds	<u>3,067</u>	<u>-</u>	<u>-</u>	<u>3,067</u>
	<u>\$ 59,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,488</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 1,481,023	\$ -	\$ -	\$ 1,481,023
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>4,142,291</u>	<u>4,142,291</u>
	<u>\$ 1,481,023</u>	<u>\$ -</u>	<u>\$ 4,142,291</u>	<u>\$ 5,623,314</u>

There were no transfers between Levels 1 and 2 in 2021 and 2020.

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

Financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 4,142,291	\$ 4,396,762
Recognized in other comprehensive income	(154,722)	(212,471)
Reduction in Capital	<u>-</u>	<u>(42,000)</u>
Balance at December 31	<u>\$ 3,987,569</u>	<u>\$ 4,142,291</u>

- 3) Valuation techniques and assumptions applied for the purpose of measuring fair value
- a) The fair value of financial instruments traded in active markets is based on quoted market prices (including beneficiary certificates that went public).
  - b) Valuation techniques and inputs applied for Level 3 fair value measurement: The significant and unobservable input parameter for unlisted investments use market-based approach mainly relates to liquidity discount rate. Market-based approach adopts the equity basis multiplier (P/B) of comparable listed companies, the fair price of the Company's stock is calculated after considering the liquidity discount parameter.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	\$ 61,443	\$ 59,488
Financial assets at amortized cost (Note 1)	4,472,471	4,574,295
Financial assets at FVTOCI		
Equity instruments	5,499,431	5,623,314
<u>Financial liabilities</u>		
Amortized cost (Note 2)	16,545,992	17,832,391

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables and debt investments.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, notes payable, trade payables, other payables and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity and debt investments, trade receivables, trade payables and borrowings. The Group's Corporate Treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Group through internal risk evaluation. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. To protect against reductions foreign assets in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Group managed the risk by balancing positions of assets and liabilities denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 32.

#### Sensitivity analysis

The Group was mainly exposed to the USD, RMB and EUR.

The following details the effects of a 5% increase in NTD (the functional currency) against the relevant foreign currencies. For a 5% weakening of relevant currency against the NTD, the net profit (loss) would increase by \$41,660 thousand and decrease by \$37,729 thousand for the years ended December 31, 2021 and 2020, respectively. 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 rate is 5%.

#### b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, ensuring the most cost-effective hedging strategies are applied.

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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 1,068,875	\$ 1,176,712
Financial liabilities	11,611,318	13,850,455
Cash flow interest rate risk		
Financial assets	1,337,057	1,555,624
Financial liabilities	2,000,000	2,300,000

#### Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates at the end of the reporting period. A 50 basis point 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 had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit (loss) for the years ended December 31, 2021 and 2020 would have decreased/increased by \$3,315 thousand and increased/decreased by \$3,722 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its cash flow by variable-rate bank loans.

#### c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities and beneficiary certificates of open-end funds.

### Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax profit (loss) for the years ended December 31, 2021 and 2020 would have increased/decreased by \$3,072 thousand and decreased/increased by \$2,974 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income (loss) for the years ended December 31, 2021 and 2020 would have increased/decreased by \$75,593 thousand and by \$74,051 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

#### 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

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 only transacts with entities that are rated good. The Group uses other 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 credit organization.

Trade receivables consisted of a large number of unrelated customers. Ongoing credit evaluation is performed on the financial condition of trade receivables.

Credit risk represents the potential impact to financial asset that the Group might encounter if counterparties or third parties breach the contracts. The Group evaluated credit risk exposure for contracts with positive carrying value. The Group evaluated the credit risk exposure as immaterial because all counterparties are reputable financial institutions and companies with credit ratings.

#### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Group had available unutilized bank loan facilities set out in (b) below.

a) Liquidity and interest risk rate tables

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

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>
Non-interest bearing liabilities	\$ -	\$ 1,556,601	\$ -	\$ -	\$ -
Lease liabilities	876	1,280	5,210	2,719	220
Variable interest rate liabilities	-	-	-	2,029,202	-
Fixed interest rate liabilities	<u>1,899,526</u>	<u>1,226,452</u>	<u>2,390,352</u>	<u>6,136,975</u>	<u>-</u>
	<u>\$ 1,900,402</u>	<u>\$ 2,784,333</u>	<u>\$ 2,395,562</u>	<u>\$ 8,168,896</u>	<u>\$ 220</u>

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>
Non-interest bearing liabilities	\$ -	\$ 1,198,759	\$ -	\$ -	\$ -
Lease liabilities	903	1,394	5,929	7,172	-
Variable interest rate liabilities	-	-	-	2,335,551	-
Fixed interest rate liabilities	<u>2,114,019</u>	<u>1,017,937</u>	<u>3,842,471</u>	<u>6,956,332</u>	<u>-</u>
	<u>\$ 2,114,922</u>	<u>\$ 2,218,090</u>	<u>\$ 3,848,400</u>	<u>\$ 9,299,055</u>	<u>\$ -</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Unsecured bank borrowing limit		
Amount used	\$ 15,986,000	\$ 15,453,000
Amount unused	<u>13,658,000</u>	<u>16,646,000</u>
	<u>\$ 29,644,000</u>	<u>\$ 32,099,000</u>
Secured bank borrowing limit		
Amount used	\$ 130,000	\$ -
Amount unused	<u>-</u>	<u>-</u>
	<u>\$ 130,000</u>	<u>\$ -</u>

## 28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. The prices and payment terms of these transactions were similar to those for third parties. Details of transactions between the Group and other related parties are disclosed below.

<u>Related Party Name</u>	<u>Related Party Category</u>
Far Eastern New Century Corp.	Investors with significant influence over the Group
Hwa Xu Heat Supply Co. (HXYZ)	Associates
Oriental Petrochemical (Shanghai) Corp. (OPSC)	Associates
Asia Cement Corp.	Others
Oriental Petrochemical (Taiwan) Co., Ltd. (OPTC)	Others
Air Liquide Far Eastern Ltd.	Others
Oriental Green Materials Ltd.	Others
Ya Tung Ready Mixed Concrete Co., Ltd.	Others
Everest Textile Co., Ltd.	Others
Far Eastern Polytex (Vietnam) Ltd.	Others
Asia Cement (Singapore) Pte. Ltd.	Others
Fu-Ming Transport Corp.	Others
Fu-Da Transport Corp.	Others
Far Eastern International Bank (FEIB)	Others
Mr. Xu Yuanzhi Memorial Foundation	Others
Yuan Ze University	Others
PET Far Eastern (Holding) Ltd. (PETH)	Others
Hubei Yadong Cement Co., Ltd.	Others
Far Eastern Industries (Shanghai) Ltd.	Others
Far Eastern Industries (Yangzhou) Ltd.	Others
Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Others
Oriental Industries (Suzhou) Ltd.	Others
Shanghai Yuanhua Logistics Co., Ltd.	Others
Shanghai Yuanzi Information Technology Ltd.	Others
Speedy (Shanghai) Digital Technology Co., Ltd.	Others
Digital United Information Technology (Shanghai) Ltd.	Others

a. Sale of goods

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Investors with significant influence over the Group	\$ 1,575,856	\$ 950,973
Others	<u>237,524</u>	<u>205,496</u>
	<u>\$ 1,813,380</u>	<u>\$ 1,156,469</u>

b. Purchase of goods

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Others	<u>\$ 1,628</u>	<u>\$ 222</u>

c. Operating expenses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Associates	<u>\$ 8,683</u>	<u>\$ 33,317</u>
Others		
Fu-Ming Transport Corp.	180,496	159,544
Others	<u>33,542</u>	<u>49,469</u>
	<u>214,038</u>	<u>209,013</u>
	<u>\$ 222,721</u>	<u>\$ 242,330</u>

d. Interest expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Others		
Far Eastern Industries (Shanghai) Ltd.	\$ 42,860	\$ 42,400
Others	<u>29,980</u>	<u>16,424</u>
	<u>\$ 72,840</u>	<u>\$ 58,824</u>

e. Rental income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Others		
Fu-Da Transport Corp.	<u>\$ 9,694</u>	<u>\$ 9,694</u>

f. Cash and cash equivalents

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Others		
FEIB	<u>\$ 103,669</u>	<u>\$ 427,373</u>



g. Receivables from related parties

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Investors with significant influence over the Group		
Far Eastern New Century Corp.	\$ <u>105,719</u>	\$ <u>86,553</u>
Others		
Far Eastern Industries (Shanghai) Ltd.	-	115,594
Others	<u>6,863</u>	<u>8,304</u>
	<u>6,863</u>	<u>123,898</u>
	<u>\$ 112,582</u>	<u>\$ 210,451</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for trade receivables from related parties.

h. Other receivables

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Associates		
HXYZ	\$ 512,649	\$ 498,409
Others	<u>11,181</u>	<u>5,144</u>
	<u>\$ 523,830</u>	<u>\$ 503,553</u>

The Group provided secured short-term loans to HXYZ amounted to \$511,963 thousand. Refer to Table 1 for detailed information.

i. Financial assets at amortized cost

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Others		
FEIB	<u>\$ 424,990</u>	<u>\$ 63,917</u>
Current	\$ 337,773	\$ -
Non-current	<u>87,217</u>	<u>63,917</u>
	<u>\$ 424,990</u>	<u>\$ 63,917</u>

j. Accounting Payable

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Others	<u>\$ 1,508</u>	<u>\$ -</u>

k. Loans from related parties (accounted for as short-term borrowings)

	<u>December 31</u>	
	2021	2020
Others		
Far Eastern Industries (Shanghai) Co., Ltd.	\$ 869,428	\$ 1,309,446
Far Eastern Industries (Yangzhou) Co., Ltd.	521,657	523,778
Oriental Industries (Suzhou) Ltd.	391,242	-
Far Eastern Dyeing & Finishing (Suzhou) Ltd.	<u>-</u>	<u>392,834</u>
	<u>\$ 1,782,327</u>	<u>\$ 2,226,058</u>

The Group obtained loans at rates comparable to market interest rates for the loans from related parties.

l. Other payables

	<u>December 31</u>	
	2021	2020
Others	\$ 46,076	\$ 36,403
Associates	<u>28,073</u>	<u>19,457</u>
	<u>\$ 74,149</u>	<u>\$ 55,860</u>

m. Acquisitions of financial assets

For the year ended December 31, 2021

Line Item	Number of Shares	Underlying Assets	Purchase Price
Others		<u>Shares</u>	
Everest Textile Co., Ltd.	11,579,542	Everest Textile Co., Ltd.	<u>\$ 115,795</u>
Financial assets at FVTOCI - non-current			

For the year ended December 31, 2020: None.

n. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2021	2020
Short-term employee benefits	\$ 41,127	\$ 32,438
Post-employment benefits	<u>432</u>	<u>432</u>
	<u>\$ 41,559</u>	<u>\$ 32,870</u>

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

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged by bank, as guarantees for Suppliers and Customers:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Pledged deposits (financial assets at amortized cost - non-current)	<u>\$ 87,217</u>	<u>\$ 74,204</u>

As of December 31, 2021, the Corporation pledged 28,599 thousand stocks of the subsidiary TFIC as security.

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2021 were as follows:

- a. As of December 31, 2021, unused letters of credit for purchases of raw materials amounted to \$2,062,173 thousand, purchase guarantees from banking institution and performance guarantees from Taiwan small and medium enterprise counseling foundation subsidy amounted to \$271,000 thousand, and refundable deposit with the Harbor Bureau amounted to \$210,621 thousand, respectively.
- b. Endorsements/guarantees provided to subsidiaries and associates

### The Corporation

TFIC \$ 1,450,000

- c. The Corporation has a long-term ethylene purchase agreement with Chinese Petroleum Corporation, Taiwan under which the Corporation is committed to purchase ethylene until December 31, 2021. The purchase price under the agreement is in U.S. dollars.
- d. The Corporation has a three-year agreement beginning from 2004, to sell ethylene glycols to major customers, namely, Far Eastern New Century Corporation, Tainan Spinning Co., Ltd., and Shinkong Synthetic Fibers Corporation. The agreement is automatically renewed for successive periods of three years unless otherwise terminated by either party with prior notice. The determined price under the agreement is in U.S. dollars.
- e. In 2021, the Corporation signed a two-year ethylene carbonate designated production/sales agreement with Chi Mei Corporation ("CMC"). Also, the Corporation agreed to purchase from CMC any qualified ethylene glycol by-products which are produced during the manufacturing process. And the purchase price is determined by agreed upon bases. Both sides agreed that the Corporation could sell part of the output to a specific-purpose market.

## 31. OTHER ITEMS

The Group has been impacted by the COVID-19 pandemic and fluctuations of international crude oil price since 2020. With the epidemic slowing and policy loosening, the Group's operation has gradually returned to normal. As of the reporting date, the Group considered there is no doubt on the Group's ability to continue as a going concern, on the fund risk, and on the risk of impairment loss of assets at present.

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

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

December 31, 2021

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 247	6.37 (USD:RMB)	\$ 6,837
USD	5,261	27.68 (USD:NTD)	<u>145,624</u>
			<u>\$ 152,461</u>
Non-monetary items			
Investments accounted for using the equity method			
RMB	306,185	4.35 (RMB:NTD)	<u>\$ 1,331,028</u>
<u>Financial liabilities</u>			
Monetary items			
USD	14,103	6.37 (USD:RMB)	\$ 390,371
USD	21,208	27.68 (USD:NTD)	587,037
EUR	259	31.32 (EUR:NTD)	8,112
RMB	18	4.35 (RMB:NTD)	78
EUR	2	7.20 (EUR:RMB)	<u>63</u>
			<u>\$ 985,661</u>

December 31, 2020

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,920	6.52 (USD:RMB)	\$ 54,682
USD	4,957	28.48 (USD:NTD)	<u>141,175</u>
			<u>\$ 195,857</u>
Non-monetary items			
Investments accounted for using the equity method			
RMB	424,938	4.36 (RMB:NTD)	<u>\$ 1,854,779</u>

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 29,324	6.52 (USD:RMB)	\$ 835,148
USD	2,736	28.48 (USD:NTD)	77,921
RMB	8,560	4.36 (RMB:NTD)	<u>37,363</u>
			<u>\$ 950,432</u> (Concluded)

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

	<u>For the Year Ended December 31</u>			
	<u>2021</u>		<u>2020</u>	
	Foreign Currencies	Exchange Rate	Exchange Rate	Net Foreign Exchange Gain (Loss)
		Net Foreign Exchange Gain (Loss)		Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ (1,908)	1 (NTD:NTD)	\$ (9,016)
RMB	4.34 (RMB:NTD)	<u>13,506</u>	4.28 (RMB:NTD)	<u>20,104</u>
		<u>\$ 11,598</u>		<u>\$ 11,088</u>

### 33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held. (Table 3)
- 4) Marketable securities acquired or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (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. (None)
- 10) Intercompany relationships and significant intercompany transactions. (None)

- b. Information on investees. (Table 6)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (None)
- d. Information of major stockholders: List all stockholders with ownership of 5% or greater showing the name of the stockholders, the number of shares owned, and percentage of ownership of each stockholders. (Table 8)

### 34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Ethylene glycols business
- Special chemicals business
- Gas business
- Investment and others

a. Segment revenues and results

The following was an analysis of the Group's revenue and results by reportable segments.

	Segment Revenues		Segment Profit (Loss)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
Ethylene glycols business	\$ 18,385,818	\$ 13,633,008	\$ (37,936)	\$ (1,356,506)
Special chemicals business	7,480,073	4,249,428	856,171	184,857
Gas business	1,600,789	1,764,017	616,767	465,554
Investment and others	15,039	49,447	(13,118)	18,587
Other eliminations and adjustments	-	(932,741)	108	231,516
Total operating segments	\$ 27,481,719	\$ 18,763,159	1,421,992	(455,992)
Non-operating income and expense			(46,917)	(851,297)
Profit (loss) before income tax			\$ 1,375,075	\$ (1,307,289)

Segment profit represents the profit earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b. Segment total assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Segment assets</u>		
Ethylene glycols business	\$ 12,062,805	\$ 15,342,805
Special chemicals business	4,242,053	3,200,090
Gas business	2,259,250	2,497,981
Investment and others	26,277,571	24,919,531
Other eliminations and adjustments	<u>(11,065,508)</u>	<u>(11,856,780)</u>
Total segment assets	<u>\$ 33,776,171</u>	<u>\$ 34,103,627</u>

c. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are mainly in Asia.

d. Information on major customers

Included in revenue arising from direct sales of ethylene glycols business of \$18,385,818 thousand in 2021, the revenue of \$2,779,923 thousand was from sales to the Group's largest customer, Nanjing Carbon Blue Chemicals Co., Ltd. No other single customers contributed 10% or more to the Group's revenue in 2020.

TABLE 1

## ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Amount Limits	Note
													Item	Value			
1	FUPY	HXYZ	Other receivables - related parties loans	Yes	\$ 511,963	\$ 511,963	\$ 511,963	1.3%	Necessary for short-term financing	\$ -	- Operating capital	\$ -	Promissory notes	\$ -	40% of net worth of FUPY \$2,790,789	40% of net worth of FUPY \$2,790,789	-

Note: It was calculated based on 40% of audited net worth of the lender on December 31, 2021.



TABLE 2

**ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES**

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

No.	Endorser/ Guarantor	Endorser/Guaranteed		Limits on Endorsement/ Guarantees Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	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 (Note 1)											
0	The Corporation	TFIC	2	50% of net worth of the Corporation \$6,418,390	\$ 1,450,000	\$ 1,450,000	\$ 550,000	\$ -	11.30	100% of net worth of the Corporation \$12,836,780	Y	N	N	

Note 1: The relationships between the endorser/guarantor and the endorsee/guaranteed are listed below:

2. Represents the entity whose voting shares are exceed fifty percent (50%) owned directly or indirectly by the Corporation.

TABLE 3

## ORIENTAL UNION CHEMICAL CORPORATION 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	December 31, 2021			Note
				Number of Stocks/Units	Carrying Amount	Percentage of Ownership (%)	
The Corporation	Far Eastern Department Stores Ltd.	Same chairman	Financial assets at FVTOCI - non-current	14,378,228	\$ 308,413	1	Note 1
	Far Eastern New Century Corp.	Same chairman	Same as above	6,888,446	201,832	-	Note 1
	Asia Cement Corp.	Same chairman	Same as above	8,486,315	375,944	-	Note 1
	Everest Textile Co., Ltd.	The chairman of Everest Textile Co., Ltd. is a director of the Corporation	Same as above	16,040,145	154,466	2	Note 1
	Oriental Petrochemical (Taiwan) Co., Ltd.	The Corporation is one of its director	Same as above	309,334,376	2,350,941	14	Note 2
	Grand Cathay Venture Capital Co., Ltd.	The Corporation is one of its director	Same as above	26,666,667	321,600	17	Note 2
	Eminent Venture Capital Corp.	The Corporation is one of its director	Same as above	2,700,000	25,569	10	Note 2
	Eminent II Venture Capital Corp.	The Corporation is one of its director	Same as above	3,600,000	27,792	6	Note 2
	Tai An Technologies Corp.	-	Same as above	499,998	6,965	5	Note 2
	China Steel Corp.	-	Financial assets at FVTPL - current	120,000	4,242	-	Note 1
	Tung Ho Steel Enterprise Corp.	-	Same as above	66,500	4,462	-	Note 1
	Ta Chen Stainless Pipe Co., Ltd.	-	Same as above	100,000	4,625	-	Note 1
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Same as above	12,000	7,380	-	Note 1
	Realtek Semiconductor Corp.	-	Same as above	9,000	5,220	-	Note 1
Evergreen International Corp.	-	Same as above	30,000	4,275	-	Note 1	
China Airlines Ltd.	-	Same as above	200,000	5,510	-	Note 1	
Eva Airways Corp.	-	Same as above	200,000	5,590	-	Note 1	
Volltronic Power Technology Corp.	-	Same as above	3,000	4,635	-	Note 1	
AES Holding Co., Ltd.	-	Same as above	3,000	5,475	-	Note 1	
China Development Financial Holding Corp.	-	Same as above	300,000	5,250	-	Note 1	
Global Mixed-Mode Technology, Inc.	-	Same as above	18,000	4,779	-	Note 1	
The Corporation	Treasury stock	-	9,108,554	204,032	1	Note 1	
Far Eastern International Commercial Bank ("FEIC")	The chairman of the Corporation is FEIC's director	Financial assets at FVTOCI - non-current	30,772,170	330,800	1	Note 1	
Everest Textile Co., Ltd.	The chairman of Everest Textile Co., Ltd. is the Corporation's parent corporation's director	Same as above	14,580,194	140,407	2	Note 1	
Yue Ding Enterprise Corp	Related party in substance	Same as above	5,702,095	87,128	5	Note 2	
Ding Shen Investment Co., Ltd.	Related party in substance	Same as above	40,328,640	416,998	18	Note 2	
Oriental Petrochemical (Taiwan) Co., Ltd.	The Corporation is one of its director	Same as above	98,759,902	750,576	4	Note 2	

Note 1: The market value was calculated at closing price on December 31, 2021 provided by the TWSE.

Note 2: The net asset value was calculated based on the latest assessments.

TABLE 4

**ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES**

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF 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)

Company Name	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
The Corporation FUPY	Far Eastern New Century Corp.	Same chairman	Sale	\$ (1,575,856)	(6)	Same as those to unrelated parties	-	-	\$ 105,719	8	-
	Far Eastern Industries (Shanghai) Ltd.	Others	Sale	(173,387)	(1)	Same as those to unrelated parties	-	-	-	0	-

**TABLE 5**

**ORIENTAL UNION CHEMICAL CORPORATION 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		
The Corporation	Far Eastern New Century Corp.	Same chairman	Trade Receivables \$105,719	16.39	\$ -	-	\$ 105,719	\$ -

TABLE 6

**ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES**

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars or Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021		Carrying Amount	Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2021	December 31, 2020	Stocks	%				
The Corporation	PPL	British Virgin Islands	Investment Enterprise and financial institution investments Investment	US\$ 192,972	US\$ 192,972	148,356	100	\$ 4,648,576	\$ (195,038)	(195,038)	Note
	TFIC	Taipei City, ROC		\$ 1,110,000	\$ 1,110,000	153,511,190	100	1,293,591	5,915	5,915	
	OUC (Bermuda)	British Bermuda Islands		US\$ 90,000	US\$ 90,000	103,580	100	859,228	75,812	75,812	

Note: The ending balance includes 28,599,328 stocks pledged to financial institutions.

TABLE 7

## ORIENTAL UNION CHEMICAL CORPORATION AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outflow	Inflow							
OPSC	Manufacture and sale of purified terephthalic acid.	US\$ 241,310	Indirect	US\$ 92,886	US\$ -	US\$ -	US\$ 92,886	RMB (278,790)	39	\$ (467,792) (Note 2)	\$ 1,098,907	\$ -	
FUPY	Manufacturing and selling chemical products (ethylene glycol, diethylene glycol, triethylene glycol and ethylene oxide) and other specific chemical products.	US\$ 297,500	Indirect	US\$ 179,500	US\$ -	US\$ -	US\$ 179,500	RMB 149,554	56	362,318 (Note 2)	3,893,151	-	
HXYZ	The production and sales of hot water (non-potable water) and steam; the erection and maintenance of heat-supply pipelines; the consultancy service in heat-supply technologies.	RMB 160,000	Indirect	-	-	-	-	RMB (21,750)	28	(47,121) (Note 2)	232,121	-	Note 3

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
US\$272,386	US\$281,636	(Note 1)

Note 1: The Corporation obtained certificate No. 11020408220 from Industrial Development Bureau, Ministry of Economic Affairs according to the "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China", the accumulation of fund is not limited.

Note 2: Based on audited financial statements.

Note 3: Significant non-controlling interests.

**TABLE 8****ORIENTAL UNION CHEMICAL CORPORATION****INFORMATION OF MAJOR STOCKHOLDERS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Far Eastern New Century Corp.	81,217,005	9.16
Yuan Ding Investment Co., Ltd.	70,817,684	7.99
Asia Cement Corp.	63,766,522	7.19
Yuan Tong Investment Co., Ltd.	49,705,396	5.61

Note: The table discloses stockholding information of stockholders whose stockholding percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.

## **6. Stand-alone financial statements and external auditor’s audit report for the recent year**

(For the complete financial statements, please see the attachment to the annual report or view the MOPS on <https://mops.twse.com.tw/>)

### **2021 Independent Auditors’ Report**

#### **(English Translation of a Report Originally Issued in Chinese)**

The Board of Directors and Stockholders  
Oriental Union Chemical Corporation

#### **Opinion**

We have audited the accompanying financial statements of Oriental Union Chemical Corporation (the “Corporation”), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China (“ROC”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC, 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 financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.





The descriptions of the key audit matters of the financial statements for the year ended December 31, 2021 are as follow:

The Impairment Loss of Property, Plant and Equipment

The balances of property, plant and equipment amounted to \$5,222,625 thousand as of December 31, 2021. On each balance sheet date, the Corporation reviews its tangible assets for indications of impairment. If any indication thereof exists, the Corporation then estimates the recoverable amount of the assets. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Corporation will determine the recoverable amount for the asset's cash-generating unit. Because the aforementioned tangible assets represent 23% of total assets and the calculation for recoverable amount involves several assumptions and estimations, which directly impact the amount recognized as impairment losses, we deem the review of impairment of assets a key audit matter.

Corresponding audit procedures:

1. We obtained an understanding of management's estimation of asset impairment and of the design and execution for relevant controls.
2. We evaluated the rationality of management's identification of impairment indicators and the appropriateness of the assumptions. Given that there are impairment indications, we performed:
  - a. Obtained the asset impairment valuation form produced by the management for each cash-generating unit.
  - b. Consulted Deloitte firm internal experts regarding the appropriateness of the assumptions, including the classification of cash-generating units, forecast of cash flows, and discount rate.

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

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 7, 2022

Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 financial statements shall prevail.*

ORIENTAL UNION CHEMICAL CORPORATION

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

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 6 and 26)	\$ 730,924	3	\$ 656,128	3
Notes receivable, net (Note 9)	77,214	-	57,454	-
Trade receivables, net (Note 9)	830,041	4	673,003	3
Trade receivables from related parties (Notes 9 and 26)	111,762	-	93,673	-
Other receivables	251	-	1,826	-
Inventories (Note 10)	626,662	3	354,040	2
Prepayments for purchases	11,620	-	74,595	-
Other prepayments	16,799	-	16,304	-
Other current assets (Note 15)	169,049	1	184,009	1
Total current assets	2,574,322	11	2,111,032	9
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (Notes 7 and 26)	3,773,522	16	3,900,242	17
Financial assets at amortized cost (Notes 8, 26 and 27)	87,217	-	64,383	-
Investments accounted for using the equity method (Note 11)	6,801,395	29	6,876,754	30
Property, plant and equipment (Note 12)	5,222,625	23	5,563,410	25
Construction in progress (Note 12)	1,575,030	7	640,293	3
Right-of-use assets (Note 13)	10,350	-	14,973	-
Investment properties (Note 14)	1,991,406	9	1,991,488	9
Intangible assets	7,356	-	11,060	-
Deferred tax assets (Note 22)	270,612	1	462,545	2
Other non-current assets (Note 15)	918,695	4	1,076,495	5
Total non-current assets	20,658,208	89	20,601,643	91
<b>TOTAL</b>	<b>\$ 23,232,530</b>	<b>100</b>	<b>\$ 22,712,675</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Trade payables (Note 26)	\$ 1,117,110	5	\$ 545,940	2
Other payables (Notes 17 and 26)	492,900	2	272,164	1
Current tax liabilities (Note 22)	6,566	-	31,424	-
Lease liabilities (Note 13)	7,300	-	8,103	-
Other current liabilities (Note 18)	153,383	1	95,072	1
Total current liabilities	1,777,259	8	952,703	4
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 16 and 27)	7,599,571	33	8,659,389	38
Deferred tax liabilities (Note 22)	696,177	3	679,358	3
Lease liabilities (Note 13)	2,881	-	7,130	-
Net defined benefit liabilities (Note 19)	230,482	1	259,680	2
Guarantee deposits	35,383	-	26,355	-
Other non-current liabilities (Note 18)	53,997	-	24,091	-
Total non-current liabilities	8,618,491	37	9,656,003	43
Total liabilities	10,395,750	45	10,608,706	47
<b>EQUITY (Note 20)</b>				
Common stock	8,857,031	38	8,857,031	39
Capital surplus	1,006,828	4	956,286	4
Retained earnings				
Legal reserve	1,526,813	7	2,327,378	10
Special reserve	1,911,129	8	1,911,129	8
Unappropriated earnings (accumulated deficits)	882,237	4	(800,565)	(3)
Total retained earnings	4,320,179	19	3,437,942	15
Other equity				
Exchange differences on translating foreign operations	(496,003)	(2)	(472,288)	(2)
Unrealized loss on financial assets at fair value through other comprehensive income	(726,882)	(3)	(487,204)	(2)
Total other equity	(1,222,885)	(5)	(959,492)	(4)
Treasury stock	(124,373)	(1)	(187,798)	(1)
Total equity	12,836,780	55	12,103,969	53
<b>TOTAL</b>	<b>\$ 23,232,530</b>	<b>100</b>	<b>\$ 22,712,675</b>	<b>100</b>

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

**ORIENTAL UNION CHEMICAL CORPORATION****STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020****(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)**

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales revenue (Note 26)	\$ 14,673,731	100	\$ 9,798,912	100
OPERATING COSTS				
Cost of goods sold (Notes 10, 21 and 26)	<u>12,620,091</u>	<u>86</u>	<u>9,015,310</u>	<u>92</u>
GROSS PROFIT	<u>2,053,640</u>	<u>14</u>	<u>783,602</u>	<u>8</u>
OPERATING EXPENSES (Notes 21 and 26)				
Selling and marketing expenses	627,742	4	511,610	5
General and administrative expenses	119,621	1	114,277	1
Research and development expenses	156,857	1	149,965	2
Expected credit loss (Note 9)	<u>1,177</u>	<u>-</u>	<u>638</u>	<u>-</u>
Total operating expenses	<u>905,397</u>	<u>6</u>	<u>776,490</u>	<u>8</u>
PROFIT FROM OPERATIONS	<u>1,148,243</u>	<u>8</u>	<u>7,112</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	905	-	2,142	-
Rental income (Note 26)	39,662	-	39,683	-
Dividend income	71,542	-	49,990	1
Other income (Notes 21 and 26)	39,140	-	44,074	-
Gain on disposal of property, plant and equipment	263	-	995	-
Foreign currency exchange loss	(1,908)	-	(9,016)	-
Gain on financial assets at fair value through profit or loss	-	-	5,064	-
Other expenses (Note 21)	(35,184)	-	(30,112)	-
Interest expense (Note 21)	(59,820)	-	(78,580)	(1)
Share of loss of subsidiaries accounted for using equity method (Note 11)	<u>(113,311)</u>	<u>(1)</u>	<u>(1,111,368)</u>	<u>(11)</u>
Total non-operating income and expenses	<u>(58,711)</u>	<u>(1)</u>	<u>(1,087,128)</u>	<u>(11)</u>
PROFIT (LOSS) BEFORE INCOME TAX	1,089,532	7	(1,080,016)	(11)
INCOME TAX EXPENSE (BENEFIT) (Note 22)	<u>189,774</u>	<u>1</u>	<u>(15,318)</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>899,758</u>	<u>6</u>	<u>(1,064,698)</u>	<u>(11)</u>

(Continued)

**ORIENTAL UNION CHEMICAL CORPORATION**

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

	2021		2020	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE LOSS</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (21,901)	-	\$ (12,488)	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	(187,378)	(1)	(228,538)	(2)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	4,380	-	2,498	-
Share of the other comprehensive loss of subsidiaries accounted for using equity method	(52,300)	(1)	(66,010)	(1)
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive (loss) income of subsidiaries accounted for using equity method	<u>(23,715)</u>	<u>-</u>	<u>83,847</u>	<u>1</u>
Other comprehensive loss for the year, net of income tax	<u>(280,914)</u>	<u>(2)</u>	<u>(220,691)</u>	<u>(2)</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>\$ 618,844</u>	<u>4</u>	<u>\$ (1,285,389)</u>	<u>(13)</u>
<b>EARNINGS (LOSS) PER SHARE (Note 23)</b>				
Basic	<u>\$ 1.03</u>		<u>\$ (1.22)</u>	
Diluted	<u>\$ 1.03</u>		<u>\$ (1.22)</u>	

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

(Concluded)



Review and Analysis of the Financial Position and Performance and Risk Management

ORIENTAL UNION CHEMICAL CORPORATION

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

	Capital Surplus			Retained Earnings			Other Equity			
	Paid-in Capital in Excess of Par Value	Treasury Stock	Other	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Stock	
BALANCE AT JANUARY 1, 2020	\$ 8,857,031	\$ 318,661	\$ 35,794	\$ 2,325,353	\$ 1,911,129	\$ 541,859	\$ (556,135)	\$ (192,656)	\$ (187,798)	\$ 13,524,005
Legal reserve	-	-	-	2,025	-	(2,025)	-	-	-	-
Cash dividends	-	-	-	-	-	(265,711)	-	-	-	(265,711)
Net loss for the year ended December 31, 2020	-	-	-	-	-	(1,064,698)	-	-	-	(1,064,698)
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	(9,990)	83,847	(294,548)	-	(220,691)
Total comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	(1,074,688)	83,847	(294,548)	-	(1,285,389)
Change in capital surplus from dividends distributed to subsidiary	-	4,126	-	-	-	-	-	-	-	4,126
Changes in percentage of ownership interests in subsidiaries	-	-	16,367	-	-	-	-	-	-	16,367
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	110,571	-	-	-	-	-	-	110,571
BALANCE AT DECEMBER 31, 2020	8,857,031	322,787	162,732	2,327,378	1,911,129	(800,565)	(472,288)	(487,204)	(187,798)	12,103,969
Legal reserve to offset the deficit	-	-	-	(800,565)	-	800,565	-	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	899,758	-	-	-	899,758
Other comprehensive loss for the year ended December 31, 2021	-	-	-	-	-	(17,521)	(23,715)	(239,678)	-	(280,914)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	882,237	(23,715)	(239,678)	-	618,844
Stocks of the parent company disposed of by the subsidiary and recognized as treasury shares transaction	-	50,542	-	-	-	-	-	-	63,425	113,967
BALANCE AT DECEMBER 31, 2021	\$ 8,857,031	\$ 373,329	\$ 162,732	\$ 1,526,813	\$ 1,911,129	\$ 882,237	\$ (496,003)	\$ (776,882)	\$ (124,373)	\$ 12,836,780

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

## ORIENTAL UNION CHEMICAL CORPORATION

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

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before income tax	\$ 1,089,532	\$ (1,080,016)
Adjustments:		
Depreciation expenses	550,938	531,066
Amortization expenses	9,157	9,781
Expected credit loss	1,177	638
Gain on financial assets at fair value through profit or loss, net	-	(5,064)
Interest expense	59,820	78,580
Interest income	(905)	(2,142)
Dividend income	(71,542)	(49,990)
Share of loss of subsidiaries accounted for using equity method	113,311	1,111,368
Gain on disposal of property, plant and equipment	(263)	(995)
Write-downs (reversal of write-downs) of inventories	12,543	(7,897)
Unrealized loss on foreign currency exchange	934	9,016
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	81,601
Notes receivable	(19,879)	14,169
Trade receivables	(176,185)	(120,658)
Other receivables	1,460	5,427
Inventories	(285,165)	289,771
Prepayments	62,480	(41,890)
Other current assets	14,960	(157,577)
Trade payables	571,170	(113,294)
Other payables	89,714	(32,171)
Other current liabilities	58,311	(64,566)
Net defined benefit liabilities	(51,099)	(16,573)
Other non-current liabilities	29,906	24,091
Cash generated from operations	2,060,375	462,675
Interest received	1,020	2,059
Interest paid	(60,658)	(83,119)
Income tax paid	(1,500)	(3,091)
Net cash generated from operating activities	1,999,237	378,524
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(60,658)	-
Proceeds from the capital reduction of financial assets at fair value through other comprehensive income	-	42,000
Payments for disposal of financial assets at amortized cost	(22,834)	(8,340)
Proceeds from disposal of property, plant and equipment	263	995
Acquisition of right-of-use assets	(439)	-
Decrease (increase) in other non-current assets	152,347	(245,311)

(Continued)



**ORIENTAL UNION CHEMICAL CORPORATION****STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	2021	2020
Increase in construction in progress	\$ (1,004,527)	\$ (404,709)
Dividends received	<u>71,542</u>	<u>49,990</u>
Net cash used in investing activities	<u>(864,306)</u>	<u>(565,375)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	11,700,000	12,441,000
Repayments of long-term borrowings	(12,759,818)	(12,721,218)
Increase in guarantee deposits	9,028	4,808
Repayment of the principal portion of lease liabilities	(8,411)	(9,274)
Dividends paid to owners of the Corporation	<u>-</u>	<u>(265,711)</u>
Net cash used in financing activities	<u>(1,059,201)</u>	<u>(550,395)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(934)</u>	<u>(9,016)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	74,796	(746,262)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>656,128</u>	<u>1,402,390</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 730,924</u>	<u>\$ 656,128</u>

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

(Concluded)

# ORIENTAL UNION CHEMICAL CORPORATION

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

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### 1. GENERAL INFORMATION

Oriental Union Chemical Corporation (the “Corporation”) was incorporated in December 1975. It manufactures and markets ethylene glycols, ethylene oxide, gas oxygen, gas nitrogen, liquid nitrogen, liquid argon, monoethanolamine, ethylene carbonate, polyethylene glycol, polyoxyethylene lauryl ether and methoxy polyethylene glycols. Its stocks were listed on the Taiwan Stock Exchange (“TWSE”) on October 21, 1987.

The financial statements of the Corporation are presented in the Corporation’s functional currency, New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 7, 2022.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Corporation’s accounting policies.

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of above standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### b. Basis of preparation

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

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

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

When preparing these parent Corporation only financial statements, the Corporation used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent Corporation only financial statements to be the same with the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent Corporation only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent Corporation only financial statements.

##### c. Classification of current and non-current 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 financial statements are authorized for issue; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries and associates

1) Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share of losses of a subsidiary exceeds its interest in that subsidiary, the Corporation continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent Corporation's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent Corporation's financial statements only to the extent of interests in the subsidiaries that are not related to the Corporation.

## 2) Investments in associates

An associate is an entity over which the Corporation has significant influence and which is not a subsidiary. The Corporation uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the Corporation's share of the equity of associates.

When the Corporation subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation's proportionate interest in the associate. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Corporation's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Corporation's share of losses of an associate equals or exceeds its interest in that associate, the Corporation discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

The Corporation discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associates directly disposed of the related assets or liabilities.

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

g. Property, plant and equipment

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

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

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

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

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use asset, investment properties and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties and intangible assets, 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 Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 corresponding 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.

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI. Fair value is determined in the manner described in Note 25.



i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset.

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables and other receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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

For internal credit risk management purposes, the Corporation considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Corporation):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is overdue unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

## 2) Financial liabilities

### a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

### b) Derecognition of financial liabilities

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

## 1. Revenue recognition

### Revenue from the sale of goods and rendering of services

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

For contracts where the period between the date on which the Corporation 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 Corporation does not adjust the promised amount of consideration for the effects of a significant financing component.

When another party is involved in providing goods or services to a customer, the Corporation recognizes revenue in the gross amount if it controls each specified good or service before that good or service is transferred to the customer (the Corporation is a principal); otherwise, the Corporation recognizes revenue in the net amount (the Corporation is an agent).

A specified good or service is a distinct good or service, the Corporation determines whether it is a principal or an agent for each specified good or service.

The Corporation is a principal if it meets any one of the following conditions:

- 1) The Corporation obtains control of a good or service from the other party before the Corporation transfers the good or service to a customer.
- 2) The Corporation has a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf.
- 3) The Corporation obtains control of a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer.

Indicators that are used to determine whether the Corporation controls the specified good or service before it is transferred to the customer include, but are not limited to, the following:

- 1) The Corporation is primarily responsible for fulfilling the promise to provide the specified good or service.

- 2) The Corporation has inventory risk before and after the specified good or service has been transferred to a customer or after transfer of control to the customer.
- 3) The Corporation has discretion in establishing the price for the specified good or service.

m. Leases

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

1) The Corporation as lessor

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Corporation as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments. 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 lessee's incremental borrowing rate will be used.

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 future lease payments, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

n. Borrowing costs

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

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

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

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they are received.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and rereasurement) 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 (assets) are recognized as employee benefits expense in the period in which they occur. Rereasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

q. Taxation

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

1) Current tax

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

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

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

## 2) Deferred tax

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

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (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 Corporation 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 Corporation's accounting policies, management is required to make judgments, estimates and assumptions on 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 Corporation considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implication when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## Key Sources of Estimation Uncertainty

### Impairment assessment of property, plant and equipment

In the process of assessing impairment, the Corporation relies on subjective judgment to determine whether the specific group of assets have indications of impairment, according to the usage of the assets and the business' characteristics. Alteration of estimates from any change in economic conditions or business strategy may lead to significant future impairment loss.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2021	2020
Cash on hand	\$ 110	\$ 110
Checking accounts and demand deposits	260,814	86,018
Cash equivalents		
Repurchase agreements collateralized by bonds	<u>470,000</u>	<u>570,000</u>
	<u>\$ 730,924</u>	<u>\$ 656,128</u>

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

	<u>December 31</u>	
	2021	2020
Bank balance	0.01%-0.05%	0.03%-0.05%
Repurchase agreements collateralized by bonds	0.25%	0.23%

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

### Investments in Equity Instruments at FVTOCI

	<u>December 31</u>	
	2021	2020
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 1,040,655	\$ 1,038,031
Unlisted shares	<u>2,732,867</u>	<u>2,862,211</u>
	<u>\$ 3,773,522</u>	<u>\$ 3,900,242</u>

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

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2021	2020
<u>Non-current</u>		
Pledged certificates of deposits	<u>\$ 87,217</u>	<u>\$ 64,383</u>

The ranges of interest rates for the pledged certificates of deposits were 0.32%-0.76% and 0.01%-1.05% per annum as of December 31, 2021 and 2020, respectively. The Corporation assesses there has not been a significant expected credit losses and an increase in credit risk since the original recognize.

Refer to Note 27 for information relating to financial assets at amortized cost as security.

## 9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	2021	2020
<u>Notes receivable</u>		
Notes receivable	\$ 77,680	\$ 57,801
Less: Allowance for impairment loss	<u>(466)</u>	<u>(347)</u>
	<u>\$ 77,214</u>	<u>\$ 57,454</u>
<u>Trade receivables</u>		
Trade receivables	\$ 947,488	\$ 771,303
Less: Allowance for impairment loss	<u>(5,685)</u>	<u>(4,627)</u>
	<u>\$ 941,803</u>	<u>\$ 766,676</u>

The Corporation applies for expected credit losses, which permits the use of lifetime expected loss provision for all notes receivable and trade receivables. The expected credit losses on notes receivable and trade receivables are estimated using a 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 forecasted direction of economic conditions at the reporting date.

The following table details the loss allowance of notes receivable and trade receivables.

### December 31, 2021

	0 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 150 Days	Total
Carrying amount	\$ 1,001,719	\$ 20,157	\$ 3,155	\$ 137	\$ 1,025,168
Loss allowance (Lifetime ECLs)	<u>(466)</u>	<u>(2,393)</u>	<u>(3,155)</u>	<u>(137)</u>	<u>(6,151)</u>
Amortized cost	<u>\$ 1,001,253</u>	<u>\$ 17,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,019,017</u>



December 31, 2020

	<b>0 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>121 to 150 Days</b>	<b>Total</b>
Carrying amount	\$ 810,476	\$ 16,848	\$ 1,712	\$ 68	\$ 829,104
Loss allowance (Lifetime ECLs)	<u>(347)</u>	<u>(2,847)</u>	<u>(1,712)</u>	<u>(68)</u>	<u>(4,974)</u>
Amortized cost	<u>\$ 810,129</u>	<u>\$ 14,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 824,130</u>

The above aging schedule was based on the number of days past due from the invoice date.

The movements of the loss allowance of notes receivable and trade receivables were as follows:

	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 4,974	\$ 4,336
Net remeasurement of loss allowance	<u>1,177</u>	<u>638</u>
Balance at December 31	<u>\$ 6,151</u>	<u>\$ 4,974</u>

**10. INVENTORIES**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Finished goods	\$ 379,840	\$ 294,729
Work in progress	25,489	12,013
Raw materials	<u>221,333</u>	<u>47,298</u>
	<u>\$ 626,662</u>	<u>\$ 354,040</u>

The nature of the cost of goods sold is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Cost of inventories sold	\$ 12,607,548	\$ 9,023,207
Inventory write-downs (reversals of write-downs)	<u>12,543</u>	<u>(7,897)</u>
	<u>\$ 12,620,091</u>	<u>\$ 9,015,310</u>

The reversals of previous write-downs resulted from increased selling prices in certain markets.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### a. Investments in subsidiaries

	<u>December 31</u>	
	2021	2020
Pacific Petrochemical (Holding) Ltd. (PPL)	\$ 4,648,576	\$ 4,864,238
Tong Fu Investment Co., Ltd. (TFIC)	1,293,591	1,226,009
OUCG (Bermuda) Holding Ltd. (OUCG (Bermuda))	<u>859,228</u>	<u>786,507</u>
	<u>\$ 6,801,395</u>	<u>\$ 6,876,754</u>

Proportion of ownership and voting rights held by the Corporation were as follows:

	<u>December 31</u>	
	2021	2020
PPL	100%	100%
TFIC	100%	100%
OUCG (Bermuda)	100%	100%

Investments of subsidiaries were accounted for using the equity method; the share of profit or loss and other comprehensive income of those investments were calculated based on subsidiaries' financial statements which have been audited.

Refer to Note 27 for information relating to investment of TFIC pledged as loans security.

Refer to Tables 6 and 7 for information relating to the detailed information of subsidiaries, including percentage of ownership and main businesses.

## 12. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

	Land	Land Improvements	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Equipment to Be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 1,591,461	\$ 355,668	\$ 579,175	\$ 14,918,832	\$ 663,810	\$ 857,602	\$ 18,966,548
Additions	-	-	-	-	-	452,753	452,753
Disposals	-	-	-	(21,623)	(4,180)	-	(25,803)
Reclassification	-	<u>57,682</u>	<u>35,180</u>	<u>563,416</u>	<u>7,993</u>	<u>(670,062)</u>	<u>(5,791)</u>
Balance at December 31, 2020	<u>\$ 1,591,461</u>	<u>\$ 413,350</u>	<u>\$ 614,355</u>	<u>\$ 15,460,625</u>	<u>\$ 667,623</u>	<u>\$ 640,293</u>	<u>\$ 19,387,707</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ -	\$ 310,683	\$ 403,878	\$ 11,440,965	\$ 532,720	\$ -	\$ 12,688,246
Disposals	-	-	-	(21,623)	(4,180)	-	(25,803)
Depreciation expenses	-	<u>5,554</u>	<u>19,710</u>	<u>467,157</u>	<u>29,140</u>	-	<u>521,561</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 316,237</u>	<u>\$ 423,588</u>	<u>\$ 11,886,499</u>	<u>\$ 557,680</u>	<u>\$ -</u>	<u>\$ 13,184,004</u>
Carrying amounts at December 31, 2020	<u>\$ 1,591,461</u>	<u>\$ 97,113</u>	<u>\$ 190,767</u>	<u>\$ 3,574,126</u>	<u>\$ 109,943</u>	<u>\$ 640,293</u>	<u>\$ 6,203,703</u>

(Continued)

	Land	Land Improvements	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Equipment to Be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 1,591,461	\$ 413,350	\$ 614,355	\$ 15,460,625	\$ 667,623	\$ 640,293	\$ 19,387,707
Additions	-	-	-	-	-	1,136,387	1,136,387
Disposals	-	-	-	(20,953)	(662)	-	(21,615)
Reclassification	-	-	-	179,718	21,932	(201,650)	-
Balance at December 31, 2021	<u>\$ 1,591,461</u>	<u>\$ 413,350</u>	<u>\$ 614,355</u>	<u>\$ 15,619,390</u>	<u>\$ 688,893</u>	<u>\$ 1,575,030</u>	<u>\$ 20,502,479</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 316,237	\$ 423,588	\$ 11,886,499	\$ 557,680	\$ -	\$ 13,184,004
Disposals	-	-	-	(20,953)	(662)	-	(21,615)
Depreciation expenses	-	5,544	18,893	488,860	29,138	-	542,435
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 321,781</u>	<u>\$ 442,481</u>	<u>\$ 12,354,406</u>	<u>\$ 586,156</u>	<u>\$ -</u>	<u>\$ 13,704,824</u>
Carrying amounts at December 31, 2021	<u>\$ 1,591,461</u>	<u>\$ 91,569</u>	<u>\$ 171,874</u>	<u>\$ 3,264,984</u>	<u>\$ 102,737</u>	<u>\$ 1,575,030</u>	<u>\$ 6,797,655</u>

(Concluded)

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

Land improvements	15-25 years
Buildings	7-60 years
Machinery and equipment	2-20 years
Other equipment	3-20 years

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Land	\$ 657	\$ 553
Buildings	384	-
Machinery and equipment	5,918	12,373
Transportation equipment	<u>3,391</u>	<u>2,047</u>
	<u>\$ 10,350</u>	<u>\$ 14,973</u>
<b><u>For the Year Ended December 31</u></b>		
	<b><u>2021</u></b>	<b><u>2020</u></b>
Additions to right-of-use assets	<u>\$ 3,798</u>	<u>\$ 1,357</u>
Depreciation charge for right-of-use assets		
Land	\$ 178	\$ 254
Buildings	55	-
Machinery and equipment	6,456	6,456
Transportation equipment	<u>1,732</u>	<u>2,712</u>
	<u>\$ 8,421</u>	<u>\$ 9,422</u>

Except for depreciation recognized, the Corporation had no significant addition, disposal, and impairment of right-of-use assets for the years ended December 31, 2021 and 2020.

b. Lease liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Current	<u>\$ 7,300</u>	<u>\$ 8,103</u>
Non-current	<u>\$ 2,881</u>	<u>\$ 7,130</u>

Ranges of discount rates for lease liabilities were 0.82%-1.17% and 0.79%-1.17% per annum as of December 31, 2021 and 2020, respectively.

c. Other lease information

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

The Corporation as lessor

Operating leases relate to leasing the investment properties owned by the Corporation with lease terms between 1 and 10 years. According to the agreement, the lease can be terminated by either party by giving 2 to 3 months formal notice in writing to the other party.

#### 14. INVESTMENT PROPERTIES

Cost

Balance at December 31, 2021 and 2020 \$ 2,023,323

	<b>Accumulated Depreciation</b>	<b>Accumulated Impairment</b>	<b>Total</b>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2020	\$ 25,239	\$ 6,513	\$ 31,752
Depreciation expenses	<u>83</u>	<u>-</u>	<u>83</u>
Balance at December 31, 2020	<u>\$ 25,322</u>	<u>\$ 6,513</u>	<u>\$ 31,835</u>
Balance at January 1, 2021	\$ 25,322	\$ 6,513	\$ 31,835
Depreciation expenses	<u>82</u>	<u>-</u>	<u>82</u>
Balance at December 31, 2021	<u>\$ 25,404</u>	<u>\$ 6,513</u>	<u>\$ 31,917</u>

The investment properties of land improvements held by the Corporation which are depreciated over their estimated useful lives of 16 years using the straight-line method.

The fair values of investment properties were \$3,673,587 thousand and \$3,317,798 thousand as of December 31, 2021 and 2020, respectively. The fair values were arrived at on the basis of a valuation carried out by independent qualified professional valuer, Mr. Chia-ho Tsai from Debenham Tie Leung Real Estate Appraiser Office.

## 15. OTHER ASSETS

	<u>December 31</u>	
	2021	2020
<u>Other assets</u>		
Silver and catalysts	\$ 798,803	\$ 978,785
Materials	215,025	209,221
Input tax	28,071	25,800
Others	<u>45,845</u>	<u>46,698</u>
	<u>\$ 1,087,744</u>	<u>\$ 1,260,504</u>
Current	\$ 169,049	\$ 184,009
Non-current	<u>918,695</u>	<u>1,076,495</u>
	<u>\$ 1,087,744</u>	<u>\$ 1,260,504</u>

Other assets include silver and catalysts used in the production, parts and components for the maintenance of equipment and input tax.

## 16. BORROWINGS

### Long-term Borrowings

	<u>December 31</u>	
	2021	2020
<u>Secured borrowings (Note 27)</u>		
Long-term commercial paper payables	\$ <u>129,983</u>	\$ <u>-</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	6,870,000	7,360,000
Long-term commercial paper payables	<u>599,588</u>	<u>1,299,389</u>
	<u>7,469,588</u>	<u>8,659,389</u>
Long-term borrowing	<u>\$ 7,599,571</u>	<u>\$ 8,659,389</u>
Interest rate	0.30%-0.95%	0.35%-1.10%
Maturity date	December 2023	December 2022

## 17. OTHER PAYABLES

	<u>December 31</u>	
	2021	2020
Payables for purchase of equipment	\$ 212,512	\$ 80,652
Freight payables	46,545	45,558
Payables for salaries	41,904	18,931
Payables for employees' compensation and remuneration of directors	26,780	1,694
Payables for export sales expenses	30,799	20,400
Payables for royalties	14,593	19,221
Payables for annual leave	9,000	4,000
Payables for taxes	6,572	6,797
Payables for dividends	4,860	3,424
Interest payables	2,356	3,194
Others	<u>96,979</u>	<u>68,293</u>
	<u>\$ 492,900</u>	<u>\$ 272,164</u>

## 18. OTHER LIABILITIES

	<u>December 31</u>	
	2021	2020
Contract liabilities	\$ 132,550	\$ 78,113
Provisions for repairs and maintenance	53,997	24,091
Others	<u>20,833</u>	<u>16,959</u>
	<u>\$ 207,380</u>	<u>\$ 119,163</u>
Current	\$ 153,383	\$ 95,072
Non-current	<u>53,997</u>	<u>24,091</u>
	<u>\$ 207,380</u>	<u>\$ 119,163</u>

Contract liabilities were receipts in advance.

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contribute amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Corporation has no right to influence the investment policy and strategy.

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 338,204	\$ 322,582
Fair value of plan assets	<u>(107,722)</u>	<u>(62,902)</u>
Net defined benefit liabilities	<u>\$ 230,482</u>	<u>\$ 259,680</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2020	<u>\$ 382,672</u>	<u>\$ (118,907)</u>	<u>\$ 263,765</u>
Service cost			
Current service cost	9,291	-	9,291
Net interest expense (income)	<u>2,870</u>	<u>(941)</u>	<u>1,929</u>
Recognized in profit or loss	<u>12,161</u>	<u>(941)</u>	<u>11,220</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,297)	(4,297)
Actuarial loss - changes in financial assumptions	8,855	-	8,855
Actuarial loss - experience adjustments	<u>7,930</u>	<u>-</u>	<u>7,930</u>
Recognized in other comprehensive income (loss)	<u>16,785</u>	<u>(4,297)</u>	<u>12,488</u>
Contributions from the employer	-	(27,793)	(27,793)
Benefits paid	<u>(89,036)</u>	<u>89,036</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 322,582</u>	<u>\$ (62,902)</u>	<u>\$ 259,680</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2021	<u>\$ 322,582</u>	<u>\$ (62,902)</u>	<u>\$ 259,680</u>
Service cost			
Current service cost	7,957	-	7,957
Net interest expense (income)	<u>1,613</u>	<u>(342)</u>	<u>1,271</u>
Recognized in profit or loss	<u>9,570</u>	<u>(342)</u>	<u>9,228</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,330)	(1,330)
Actuarial loss - changes in demographic assumptions	10,514	-	10,514
Actuarial loss - experience adjustments	<u>12,717</u>	<u>-</u>	<u>12,717</u>
Recognized in other comprehensive income (loss)	<u>23,231</u>	<u>(1,330)</u>	<u>21,901</u>
Contributions from the employer		(60,327)	(60,327)
Benefits paid	<u>(17,179)</u>	<u>17,179</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 338,204</u>	<u>\$ (107,722)</u>	<u>\$ 230,482</u> (Concluded)

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

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

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)	0.50%	0.50%
Expected rate(s) of long-term salary increase	2.00%	2.00%



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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Discount rate(s)		
0.25% increase	<u>\$ (8,874)</u>	<u>\$ (8,855)</u>
0.25% decrease	<u>\$ 9,210</u>	<u>\$ 9,203</u>
Expected rate(s) of long-term salary increase		
0.25% increase	<u>\$ 8,911</u>	<u>\$ 8,901</u>
0.25% decrease	<u>\$ (8,633)</u>	<u>\$ (8,612)</u>

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
The expected contributions to the plan for the next year	<u>\$ 10,808</u>	<u>\$ 10,816</u>
The average duration of the defined benefit obligation	11.2 years	11.8 years

## 20. EQUITY

### a. Common stock

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Number of stocks authorized (in thousands)	<u>1,000,000</u>	<u>1,000,000</u>
Stocks authorized	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Number of stocks issued and fully paid (in thousands)	<u>885,703</u>	<u>885,703</u>
Stocks issued	<u>\$ 8,857,031</u>	<u>\$ 8,857,031</u>

A total of 10,000 thousand stocks of the Corporation's stock were authorized to be reserved for the issuance of employee stock options.

### b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to capital stock (Note)		
Issuance of common stock	\$ 470,767	\$ 470,767
Changes in percentage of ownership interests in subsidiaries	16,367	16,367
Treasury stock transactions	373,329	322,787
Only be used to offset a deficit		
Dividends unclaimed by stockholders	35,794	35,794
Changes in capital surplus from investments in associates accounted for using the equity method	<u>110,571</u>	<u>110,571</u>
	<u>\$ 1,006,828</u>	<u>\$ 956,286</u>

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

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Corporation's Articles of Incorporation ("Articles"), apart from paying all its income taxes in the case where there are profits at the end of the year, the Corporation shall make up for accumulated deficits in past years. Where there is still balance, 10% of the unappropriated earnings from the yearly net income coupled with other items that recognized in the retained earning directly thereof shall be set aside by the Corporation as legal reserve. Subject to certain business conditions under which the Corporation may retain a portion, and distribute to the shareholders the remainder after deducting special reserve as required by law together with undistributed profits from previous years in proportion to the number of the shares held by each shareholders as shareholders' dividend. When there is a share capital increase, the distributed dividends of the year for the new shares shall be dealt with according to the resolution of the stockholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors before and after amendment, refer to Note 21 (d) "Employee benefits expense".

In accordance with the Articles, the dividend distribution takes into consideration the characteristics of industry that the Corporation operates in and the forthcoming capital requirement and tax policy that is influenced by the Corporation's products or services, and it should be settled for the purpose of maintaining stable dividends. For the purposes of improving the financial structure effectively, coping with reinvestment, expanding capacity or other significant capital expenditures in which capital is required, when distributing stockholders' dividend, the dividend payout ratio each fiscal year shall be no less than 50% of the final surplus which is the sum of after-tax profit of the fiscal year to offset previous loss, if any, and to appropriate legal reserve and special reserve as required by law; the amount of cash dividends shall not be less than 10% of the total dividends and bonuses to be distributed to stockholders in the fiscal year.

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", shall be appropriated to or reversed from a special reserve by the Corporation. Any appropriated special reserve may be reversed to the extent that the net debit balance reverses, and thereafter it is distributed.

The deficit compensation for 2020 was approved in the stockholders' meetings on July 15, 2021. After total accumulated deficit of \$800,565 thousand was offset with the legal reserve, the accumulated deficit amounted to \$0 thousand and the legal reserve amounted to \$1,526,813 thousand.

The appropriation of earnings for 2019 was approved in the stockholder's meetings on June 16, 2020. The appropriation and dividends per share were as follows:

	<b>For the Year Ended December 31, 2019</b>
Legal reserve	<u>\$ 2,025</u>
Cash dividends	<u>\$ 265,711</u>
Cash dividends per share (NT\$)	\$ 0.30

The appropriation of earnings for 2021 was proposed by the Corporation's board of directors on March 7, 2022. The appropriation and dividends per share were as follows:

	<b>For the Year Ended December 31, 2021</b>
Legal reserve	\$ 88,224
Cash dividends	<u>\$ 619,992</u>
Cash dividends per share (NT\$)	<u>\$ 0.70</u>

The appropriation of earnings for 2021 will be resolved by the shareholders' in their meeting on June 9, 2022.

d. Special reserves

On the first-time adoption of IFRSs, the Corporation appropriated to special reserve, the amounts that were the same as the unrealized revaluation increment, the fair value of investment properties at the date of transition as the deemed cost and the cumulative translation differences transferred to retained earnings, which were \$985,545 thousand, \$787,176 thousand and \$138,408 thousand, respectively.

e. Treasury stock

The Corporation's stocks held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Stocks Held (In Thousands of Stocks)	Carrying Amount	Market Price
<u>December 31, 2021</u>			
TFIC	9,109	<u>\$ 124,373</u>	<u>\$ 204,032</u>
<u>December 31, 2020</u>			
TFIC	13,754	<u>\$ 187,798</u>	<u>\$ 279,197</u>

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury stocks nor exercise stockholders' rights on these stocks, such as rights to dividends and to vote. The subsidiaries holding treasury stock, however, retain stockholders' rights, except the rights to participate in any stock issuance for cash and to vote.

## 21. NET PROFIT (LOSS)

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Settlement of insurance claims (Note)	\$ 14,560	\$ 5,040
Government grants	12,989	16,286
Others	<u>11,591</u>	<u>22,748</u>
	<u>\$ 39,140</u>	<u>\$ 44,074</u>

Note: It's primarily the insurance compensation.

### b. Interest expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans	\$ 59,659	\$ 78,333
Interest on lease liabilities	138	216
Other interest expense	<u>23</u>	<u>31</u>
	<u>\$ 59,820</u>	<u>\$ 78,580</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Capitalized interest	<u>\$ 5,747</u>	<u>\$ 1,013</u>
Capitalization rate	0.22%-1.10%	0.34%-1.17%

### c. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 542,435	\$ 521,561
Intangible assets and other assets	9,157	9,781
Right-of-use assets	8,421	9,422
Investment properties	<u>82</u>	<u>83</u>
	<u>\$ 560,095</u>	<u>\$ 540,847</u>
An analysis of depreciation by function		
Operating costs	\$ 478,765	\$ 475,165
Operating expenses	72,091	55,818
Non-operating expenses and losses	<u>82</u>	<u>83</u>
	<u>\$ 550,938</u>	<u>\$ 531,066</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
An analysis of amortization by function		
Operating costs	\$ 7,177	\$ 8,111
Operating expenses	<u>1,980</u>	<u>1,670</u>
	<u>\$ 9,157</u>	<u>\$ 9,781</u>
		(Concluded)

d. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Salary expense	\$ 391,256	\$ 301,600
Insurance expense	32,057	30,659
Post-employment benefits (Note 19)		
Defined contribution plans	10,538	10,481
Defined benefit plans	9,228	11,220
Other employee benefits	<u>60,068</u>	<u>52,752</u>
Total employee benefits expense	<u>\$ 503,147</u>	<u>\$ 406,712</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 274,870	\$ 234,799
Operating expenses	<u>228,277</u>	<u>171,913</u>
	<u>\$ 503,147</u>	<u>\$ 406,712</u>

In compliance with the Articles, the Corporation accrued employees' compensation and remuneration of directors at the rates from 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. However, if the Corporation has accumulated any deficit, the profit should be set aside for offsetting the losses. The Corporation did not accrue employees' compensation and remuneration of directors because of net loss before tax for the year ended December 31, 2020. The compensation of employees and the remuneration of directors for the year ended 2021, which was approved by the Corporation's board of directors on March 7, 2022, is as follow:

Accrual rate

	<b>For the Year Ended December 31, 2021</b>
Compensation of employees	1.50%
Remuneration of directors	0.75%

Amount

**For the Year  
Ended  
December 31,  
2021**

Compensation of employees	<u>\$ 16,724</u>
Remuneration of directors	<u>\$ 8,362</u>

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

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors is available on the Market Observation Post System website of the TWSE.

## 22. INCOME TAXES

- a. Major components of income tax expense (benefit) recognized in profit or loss are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
Adjustments for prior periods	\$ (23,358)	\$ -
Deferred tax		
In respect of the current year	<u>213,132</u>	<u>(15,318)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 189,774</u>	<u>\$ (15,318)</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit (loss) before tax	<u>\$ 1,089,532</u>	<u>\$ (1,080,016)</u>
Income tax expense (benefit) calculated at the statutory rate	\$ 217,906	\$ (216,003)
Nondeductible expenses in determining taxable income	47	59
Tax-exempt income	(15,491)	(17,655)
Unrecognized deductible temporary differences	10,670	11,818
Unrecognized loss carryforwards	-	206,463
Adjustments for prior periods	<u>(23,358)</u>	<u>-</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 189,774</u>	<u>\$ (15,318)</u>

In accordance with Rule No. 10904550440 issued by the Ministry of Finance of Taiwan (MOF), the Corporation used the losses incurred in the first quarter of 2020 to estimate losses for the first six months of 2020 and this amount is deducted from the Corporation's unappropriated earnings for 2018 for filing the additional tax. For the 2020 financial reporting purpose, the tax on unappropriated earnings for 2018 is measured based on the actual loss for 2020, and the current income tax payable is adjusted accordingly.

As the status of the 2021 appropriation of earnings will be resolved by shareholders in their meeting is uncertain, the potential income tax consequence of the 2020 unappropriated earnings is not reliably determinable. Because of net loss for the year ended December 31, 2020, there was no potential income tax consequence of the unappropriated earnings.

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plans	\$ 4,380	\$ 2,498

c. Current tax liabilities

	<u>December 31</u>	
	2021	2020
Income tax payable	\$ 6,566	\$ 31,424

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Recognition of loss on foreign investments using equity method	\$ 177,836	\$ (21,218)	\$ -	\$ 199,054
Defined benefit obligation	51,936	(10,220)	4,380	46,096
Loss carryforwards	<u>232,773</u>	<u>(207,311)</u>	<u>-</u>	<u>25,462</u>
	<u>\$ 462,545</u>	<u>\$ (196,313)</u>	<u>\$ 4,380</u>	<u>\$ 270,612</u>
<u>Deferred tax liabilities</u>				
Land revaluation increment tax	\$ 341,231	\$ -	\$ -	\$ 341,231
Property, plant and equipment	315,364	16,819	-	332,183
Investment properties	14,814	-	-	14,814
Others	<u>7,949</u>	<u>-</u>	<u>-</u>	<u>7,949</u>
	<u>\$ 679,358</u>	<u>\$ 16,819</u>	<u>\$ -</u>	<u>\$ 696,177</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Recognition of loss on foreign investments using equity method	\$ 359,876	\$ (182,040)	\$ -	\$ 177,836
Defined benefit obligation	52,753	(3,315)	2,498	51,936
Loss carryforwards	-	232,773	-	232,773
Others	<u>13,128</u>	<u>(13,128)</u>	<u>-</u>	<u>-</u>
	<u>\$ 425,757</u>	<u>\$ 34,290</u>	<u>\$ 2,498</u>	<u>\$ 462,545</u>
<u>Deferred tax liabilities</u>				
Land revaluation increment tax	\$ 341,231	\$ -	\$ -	\$ 341,231
Property, plant and equipment	296,392	18,972	-	315,364
Investment properties	14,814	-	-	14,814
Others	<u>7,949</u>	<u>-</u>	<u>-</u>	<u>7,949</u>
	<u>\$ 660,386</u>	<u>\$ 18,972</u>	<u>\$ -</u>	<u>\$ 679,358</u>

e. Income tax assessments

The Corporation's income tax returns through 2019 have been assessed by the tax authorities.

**23. EARNINGS (LOSS) PER SHARE**

	<u>For the Year Ended December 31</u>	
	2021	2020
Basic earnings (loss) per share	<u>\$ 1.03</u>	<u>\$ (1.22)</u>
Diluted earnings (loss) per share	<u>\$ 1.03</u>	<u>\$ (1.22)</u>

The net profit (loss) and weighted average number of common stock outstanding in the computation of earnings (loss) per share were as follows:

**Net Profit (Loss) for the Year**

	<u>For the Year Ended December 31</u>	
	2021	2020
Net profit (loss) used in the computation of basic earnings (loss) per share	<u>\$ 899,758</u>	<u>\$ (1,064,698)</u>



Weighted average number of common stock outstanding (in thousand stocks):

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of common stock	885,703	885,703
Less: Reclassification of the Corporation's stocks held by subsidiaries	<u>(12,756)</u>	<u>(13,754)</u>
Weighted average number of common stock used in the computation of basic earnings (loss) per share	872,947	871,949
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	<u>747</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	<u>873,694</u>	<u>871,949</u>

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

## 24. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to stockholders through the optimization of the debt and equity balance. The capital structure of the Corporation consists of bank loans and equity of the Corporation.

Financial management department of the Corporation reviews the capital structure on a monthly basis. As part of this review, the financial management department considers whether there were exceptions between the current ratio, the debt ratio and the target ratio set by the financial management department.

## 25. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

Management believes the carrying amounts of non-financial assets and financial liabilities recognized in the financial statements approximate their fair values or the fair values cannot be reliably measured.

- b. Fair value of financial instruments that are measured at fair value on a recurring basis

- 1) Fair value hierarchy

December 31, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 1,040,655	\$ -	\$ -	\$ 1,040,655
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>2,732,867</u>	<u>2,732,867</u>
	<u>\$ 1,040,655</u>	<u>\$ -</u>	<u>\$ 2,732,867</u>	<u>\$ 3,773,522</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 1,038,031	\$ -	\$ -	\$ 1,038,031
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>2,862,211</u>	<u>2,862,211</u>
	<u>\$ 1,038,031</u>	<u>\$ -</u>	<u>\$ 2,862,211</u>	<u>\$ 3,900,242</u>

There were no transfers between Levels 1 and 2 in 2021 and 2020.

- 2) Valuation techniques and assumptions applied for the purpose of measuring fair value
- a) The fair value of financial instruments traded in active markets is based on quoted market prices (including beneficiary certificates that went public).
  - b) Valuation techniques and inputs applied for Level 3 fair value measurement: The significant and unobservable input parameter for unlisted investments use market-based approach mainly relates to liquidity discount rate. Market-based approach adopts the equity basis multiplier (P/B) of comparable listed companies, the fair price of the Company's stock is calculated after considering the liquidity discount parameter.
- c. Categories of financial instruments

	<u>December 31</u>	
	2021	2020
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 1,837,409	\$ 1,546,467
Financial assets at FVTOCI		
Equity instruments	3,773,522	3,900,242
<u>Financial liabilities</u>		
Amortized cost (Note 2)	9,244,964	9,503,848

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, trade receivables and other receivables.

Note 2: The balances include financial liabilities at amortized cost, which comprise trade payables, other payables, long-term loans and guarantee deposits.

- d. Financial risk management objectives and policies

The Corporation's major financial instruments included equity and debt investments, trade receivables, trade payables and borrowings. The Corporation's Corporate Treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Corporation through internal risk evaluation. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

The Corporation had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. To protect against reductions foreign assets in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Corporation managed the risk by balancing positions of assets and liabilities denominated in foreign currencies.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 30.

Sensitivity analysis

The Corporation was mainly exposed to the USD, RMB and EUR.

The following details the effects of a 5% increase or decrease in NTD (the functional currency) against the relevant foreign currencies. For a 5% weakening of the relevant currency against NTD, the net profit (loss) would increase by \$22,480 thousand and decrease by \$1,295 thousand for the years ended December 31, 2021 and 2020, respectively. 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 rate is 5%.

b) Interest rate risk

The Corporation was exposed to interest rate risk because of borrowing funds at both fixed and floating interest rates. The risk is managed by the Corporation by maintaining an appropriate mix of fixed and floating rate borrowings, ensuring the most cost-effective hedging strategies are applied.

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 557,217	\$ 634,383
Financial liabilities	5,610,181	6,375,233
Cash flow interest rate risk		
Financial assets	98,794	13,413
Financial liabilities	2,000,000	2,300,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Corporation's exposure to interest rates at the end of the reporting period. A 50 basis point 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 had been 50 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit (loss) for the years ended December 31, 2021 and 2020 would have decreased/increased by \$9,506 thousand and increased/decreased by \$11,433 thousand, respectively, which was mainly attributable to the Corporation's exposure to interest rates on its cash flow by variable-rate bank loans.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in listed equity securities and beneficiary certificates of open-end funds.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, post-tax other comprehensive income (loss) for the years ended December 31, 2021 and 2020 would have increased/decreased by \$52,033 thousand and by \$51,902 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure of counterparties to discharge an obligation and financial guarantees provided by the Corporation could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Corporation.

The Corporation 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 Corporation only transacts with entities that are rated good. The Corporation uses other publicly available financial information and its own trading records to rate its major customers. The Corporation'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 credit organization.

Trade receivables consisted of a large number of unrelated customers. Ongoing credit evaluation is performed on the financial condition of trade receivables.

Credit risk represents the potential impact to financial asset that the Corporation might encounter if counterparties or third parties breach the contracts. The Corporation evaluated credit risk exposure for contracts with positive carrying value. The Corporation evaluated the credit risk exposure as immaterial because all counterparties are reputable financial institutions and companies with credit ratings.

### 3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Corporation had available unutilized bank loan facilities set out in (b) below.

#### a) Liquidity and interest risk rate tables

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

##### December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>
Non-interest bearing liabilities	\$ -	\$ 1,117,110	\$ -	\$ -	\$ -
Lease liabilities	876	1,280	5,210	2,719	220
Variable interest rate liabilities	-	-	-	2,029,202	-
Fixed interest rate liabilities	-	-	-	<u>5,606,653</u>	-
	<u>\$ 876</u>	<u>\$ 1,118,390</u>	<u>\$ 5,210</u>	<u>\$ 7,638,574</u>	<u>\$ 220</u>

##### December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>
Non-interest bearing liabilities	\$ -	\$ 545,940	\$ -	\$ -	\$ -
Lease liabilities	903	1,394	5,929	7,172	-
Variable interest rate liabilities	-	-	-	2,335,551	-
Fixed interest rate liabilities	-	-	-	<u>6,366,049</u>	-
	<u>\$ 903</u>	<u>\$ 547,334</u>	<u>\$ 5,929</u>	<u>\$ 8,708,772</u>	<u>\$ -</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Unsecured bank borrowing limit		
Amount used	\$ 8,577,000	\$ 9,124,000
Amount unused	<u>5,323,000</u>	<u>3,226,000</u>
	<u>\$ 13,900,000</u>	<u>\$ 12,350,000</u>
Secured bank borrowing limit		
Amount used	\$ 130,000	\$ -
Amount unused	<u>-</u>	<u>-</u>
	<u>\$ 130,000</u>	<u>\$ -</u>

## 26. TRANSACTIONS WITH RELATED PARTIES

The prices and payment terms of these transactions were similar to those for third parties. Details of transactions between the Corporation and other related parties are disclosed below.

<u>Related Party Name</u>	<u>Related Party Category</u>
Far Eastern New Century Corp.	Investors with significant influence over the Corporation
Asia Cement Corp.	Others
Oriental Petrochemical (Taiwan) Co., Ltd. (OPTC)	Others
Air Liquide Far Eastern Ltd.	Others
Oriental Green Materials Ltd.	Others
Ya Tung Ready Mixed Concrete Co., Ltd.	Others
Everest Textile Co., Ltd.	Others
Far Eastern Polytex (Vietnam) Ltd.	Others
Asia Cement (Singapore) Pte. Ltd.	Others
Fu-Ming Transport Corp.	Others
Fu-Da Transport Corp.	Others
Far Eastern International Bank (FEIB)	Others
Mr. Xu Yuanzhi Memorial Foundation	Others
Yuan Ze University	Others

a. Sale of goods

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Investors with significant influence over the Corporation	\$ 1,575,856	\$ 950,973
Others	<u>54,128</u>	<u>28,734</u>
	<u>\$ 1,629,984</u>	<u>\$ 979,707</u>

b. Purchase of goods

**For the Year Ended December 31**

	2021	2020
--	------	------

Others	\$ 1,628	\$ 222
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c. Operating expenses

**For the Year Ended December 31**

	2021	2020
--	------	------

Others		
Fu-Ming Transport Corp.	\$ 180,496	\$ 159,544
Others.	836	1,599
	\$ 181,332	\$ 161,143

d. Other income

**For the Year Ended December 31**

	2021	2020
--	------	------

Subsidiaries	\$ 2,683	\$ 4,171
Others	-	1,599
	\$ 2,683	\$ 5,770

e. Rental income

**For the Year Ended December 31**

	2021	2020
--	------	------

Others		
Fu-Da Transport Corp.	\$ 9,694	\$ 9,694

f. Cash and cash equivalents

**December 31**

	2021	2020
--	------	------

Others		
FEIB	\$ 101,895	\$ 3,533

g. Receivables from related parties

**December 31**

	2021	2020
--	------	------

Investors with significant influence over the Corporation		
Far Eastern New Century Corp.	\$ 105,719	\$ 86,553
Others	6,043	7,120
	\$ 111,762	\$ 93,673

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for trade receivables from related parties.

h. Financial assets at amortized cost

	<u>December 31</u>	
	2021	2020
Others		
FEIB	\$ <u>87,217</u>	\$ <u>63,917</u>

i. Accounting payables

	<u>December 31</u>	
	2021	2020
Others	\$ <u>1,508</u>	\$ <u>-</u>

j. Other payables

	<u>December 31</u>	
	2021	2020
Others		
Fu-Ming Transport Corp.	\$ <u>31,465</u>	\$ <u>29,188</u>

k. Acquisitions of financial assets

For the year ended December 31, 2021

	Line Item	Number of Shares	Underlying Assets	Purchase Price
Others			<u>Shares</u>	
Everest Textile Co., Ltd.	Financial assets at FVTOCI - non-current	6,065,822	Everest Textile Co., Ltd.	\$ <u>60,658</u>

For the year ended December 31, 2020: None.

l. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2021	2020
Short-term employee benefits	\$ 41,127	\$ 32,438
Post-employment benefits	<u>432</u>	<u>432</u>
	<u>\$ 41,559</u>	<u>\$ 32,870</u>

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



## 27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged by bank, as guarantees for Suppliers and Customers:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Pledged deposits (financial assets at amortized cost - non-current)	<u>\$ 87,217</u>	<u>\$ 64,383</u>

As of December 31, 2021, the Corporation pledged 28,599 thousand stocks of the subsidiary TFIC as security.

## 28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation as of December 31, 2021 were as follows:

- a. As of December 31, 2021, unused letters of credit for purchases of raw materials amounted to \$631,590 thousand, purchase guarantees from banking institution and performance bond amounted to \$271,000 thousand, and refundable deposit with the Harbor Bureau amounted to \$15,000 thousand, respectively.
- b. Endorsements/guarantees provided to subsidiaries and associates

### The Corporation

TFIC \$ 1,450,000

- c. The Corporation has a long-term ethylene purchase agreement with Chinese Petroleum Corporation, Taiwan under which the Corporation is committed to purchase ethylene until December 31, 2021. The purchase price under the agreement is in U.S. dollars.
- d. The Corporation has a three-year agreement beginning from 2004, to sell ethylene glycols to major customers, namely, Far Eastern New Century Corporation, Tainan Spinning Co., Ltd., and Shinkong Synthetic Fibers Corporation. The agreement is automatically renewed for successive periods of three years unless otherwise terminated by either party with prior notice. The determined price under the agreement is in U.S. dollars.
- e. In 2021, the Corporation signed a two-year ethylene carbonate designated production/sales agreement with Chi Mei Corporation (“CMC”). Also, the Corporation agreed to purchase from CMC any qualified ethylene glycol by-products which are produced during the manufacturing process. And the purchase price is determined by agreed upon bases. Both sides agreed that the Corporation could sell part of the output to a specific-purpose market.

## 29. OTHER ITEMS

The Corporation has been impacted by the COVID-19 pandemic and fluctuations of international crude oil price since 2020. With the epidemic slowing and policy loosening, the Corporation’s operation has gradually returned to normal. As of the reporting date, the Corporation considered there is no doubt on the Corporation’s ability to continue as a going concern, on the fund risk, and on the risk of impairment loss of assets at present.

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

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

December 31, 2021

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,261	27.68 (USD:NTD)	\$ <u>145,624</u>
Non-monetary items			
Investments accounted for using the equity method			
RMB	1,266,995	4.35 (RMB:NTD)	\$ <u>5,507,804</u>
<u>Financial liabilities</u>			
Monetary items			
USD	21,208	27.68 (USD:NTD)	\$ 587,037
EUR	259	31.32 (EUR:NTD)	8,112
RMB	18	4.35 (RMB:NTD)	<u>78</u>
			\$ <u>595,227</u>

December 31, 2020

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,957	28.48 (USD:NTD)	\$ <u>141,175</u>
Non-monetary items			
Investments accounted for using the equity method			
RMB	1,294,611	4.36 (RMB:NTD)	\$ <u>5,650,745</u>
<u>Financial liabilities</u>			
Monetary items			
USD	2,736	28.48 (USD:NTD)	\$ 77,921
RMB	8,560	4.36 (RMB:NTD)	<u>37,363</u>
			\$ <u>115,284</u>

### 31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held. (Table 3)
- 4) Marketable securities acquired or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (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. (None)

b. Information on investees. (Table 6)

c. Information on investments in mainland China

- 1) Information on any investee Corporation in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (None)

d. Information of major stockholders: List all stockholders with ownership of 5% or greater showing the name of the stockholders, the number of shares owned, and percentage of ownership of each stockholders. (Table 8)

### **32. SEGMENT INFORMATION**

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Corporation's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Ethylene glycols business
- Special chemicals business
- Gas business
- Investment and others

The revenue and operation results and departmental assets have been disclosed in the consolidated financial statements by the reportable segments, please refer to the consolidated financial statements for details.

TABLE 1

## ORIENTAL UNION CHEMICAL CORPORATION

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

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Amount Limits	Note
													Item	Value			
1	FUPY	HXYZ	Other receivables - related parties loans	Yes	\$ 511,963	\$ 511,963	\$ 511,963	1.3%	Necessary for short-term financing	\$ -	Operating capital	\$ -	Promissory notes	\$ -	40% of net worth of FUPY \$2,790,789	40% of net worth of FUPY \$2,790,789	-

Note 1: It was calculated based on 40% of audited net worth of the lender on December 31, 2021.

TABLE 2

**ORIENTAL UNION CHEMICAL CORPORATION**

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

No.	Endorser/ Guarantor	Endorsee/Guaranteed		Limits on Endorsement/ Guarantees Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	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 (Note 1)											
0	The Corporation	TFIC	2	50% of net worth of the Corporation \$6,418,390	\$ 1,450,000	\$ 1,450,000	\$ 550,000	\$ -	11.30	100% of net worth of the Corporation \$12,836,780	Y	N	N	

Note 1: The relationships between the endorser/guarantor and the endorsee/guaranteed are listed below:

2. Represents the entity whose voting shares are exceed fifty percent (50%) owned directly or indirectly by the Corporation.

TABLE 3

## ORIENTAL UNION CHEMICAL CORPORATION

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	December 31, 2021			Note
				Number of Stocks/Units	Carrying Amount	Percentage of Ownership (%)	
The Corporation	Far Eastern Department Stores Ltd.	Same chairman	Financial assets at FVTOCI - non-current	14,378,228	\$ 308,413	1	Note 1
	Far Eastern New Century Corp.	Same chairman	Same as above	6,888,446	201,832	-	Note 1
	Asia Cement Corp.	Same chairman	Same as above	8,486,315	375,944	-	Note 1
	Everest Textile Co., Ltd.	The chairman of Everest Textile Co., Ltd. is a director of the Corporation	Same as above	16,040,145	154,466	2	Note 1
	Oriental Petrochemical (Taiwan) Co., Ltd.	The Corporation is one of its director	Same as above	309,334,376	2,350,941	14	Note 2
	Grand Cathay Venture Capital Co., Ltd.	The Corporation is one of its director	Same as above	26,666,667	321,600	17	Note 2
	Eminent Venture Capital Corp.	The Corporation is one of its director	Same as above	2,700,000	25,569	10	Note 2
	Eminent II Venture Capital Corp.	The Corporation is one of its director	Same as above	3,600,000	27,792	6	Note 2
	Tai An Technologies Corp.	-	Same as above	499,998	6,965	5	Note 2
	China Steel Corp.	-	Financial assets at FVTPL - current	120,000	4,242	-	Note 1
	Tung Ho Steel Enterprise Corp.	-	Same as above	66,500	4,462	-	Note 1
	Ta Chen Stainless Pipe Co., Ltd.	-	Same as above	100,000	4,625	-	Note 1
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Same as above	12,000	7,380	-	Note 1
	Realtek Semiconductor Corp.	-	Same as above	9,000	5,220	-	Note 1
Evergreen International Corp.	-	Same as above	30,000	4,275	-	Note 1	
China Airlines Ltd.	-	Same as above	200,000	5,510	-	Note 1	
Eva Airways Corp.	-	Same as above	200,000	5,590	-	Note 1	
Voltronic Power Technology Corp.	-	Same as above	3,000	4,635	-	Note 1	
AES Holding Co., Ltd.	-	Same as above	3,000	5,475	-	Note 1	
China Development Financial Holding Corp.	-	Same as above	300,000	5,250	-	Note 1	
Global Mixed-Mode Technology, Inc.	-	Same as above	18,000	4,779	-	Note 1	
The Corporation	Treasury stock	-	9,108,554	204,032	1	Note 1	
Far Eastern International Commercial Bank ("FEIC")	The chairman of the Corporation is FEIC's director	Financial assets at FVTOCI - non-current	30,772,170	330,800	1	Note 1	
Everest Textile Co., Ltd.	The chairman of Everest Textile Co., Ltd. is the Corporation's parent corporation's director	Same as above	14,580,194	140,407	2	Note 1	
Yue Ding Enterprise Corp.	Related party in substance	Same as above	5,702,095	87,128	5	Note 2	
Ding Shen Investment Co., Ltd.	Related party in substance	Same as above	40,328,640	416,998	18	Note 2	
Oriental Petrochemical (Taiwan) Co., Ltd.	The Corporation is one of its director	Same as above	98,759,902	750,576	4	Note 2	

Note 1: The market value was calculated at closing price on December 31, 2021 provided by the TWSE.

Note 2: The net asset value was calculated based on the latest assessments.

TABLE 4

## ORIENTAL UNION CHEMICAL CORPORATION

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF 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)

Company Name	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
The Corporation FUPY	Far Eastern New Century Corp.	Same chairman	Sale	\$ (1,575,856)	(6)	Same as those to unrelated parties	-	-	\$ 105,719	8	-
	Far Eastern Industries (Shanghai) Ltd.	Others	Sale	(173,387)	(1)	Same as those to unrelated parties	-	-	-	0	-



**TABLE 5**

**ORIENTAL UNION CHEMICAL CORPORATION**

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		
The Corporation	Far Eastern New Century Corp.	Same chairman	Trade Receivables \$105,719	16.39	\$ -	-	\$ 105,719	\$ -

TABLE 6

**ORIENTAL UNION CHEMICAL CORPORATION**

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars or Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021		Carrying Amount	Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2021	December 31, 2020	Stocks	%				
The Corporation	PPL	British Virgin Islands	Investment Enterprise and financial institution investments Investment	US\$ 192,972	US\$ 192,972	148,356	100	\$ 4,648,576	\$ (195,038)	(195,038)	Note
	TFIC	Taipei City, ROC		\$ 1,110,000	\$ 1,110,000	153,511,190	100	1,293,591	5,915	5,915	
	OUC (Bermuda)	British Bermuda Islands		US\$ 90,000	US\$ 90,000	103,580	100	859,228	75,812	75,812	

Note: The ending balance includes 28,599,328 stocks pledged to financial institutions.

TABLE 7

## ORIENTAL UNION CHEMICAL CORPORATION

## INFORMATION OF INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outflow	Inflow							
OPSC	Manufacture and sale of purified terephthalic acid.	US\$ 241,310	Indirect	US\$ 92,886	US\$ -	US\$ -	US\$ 92,886	RMB(278,790)	39	\$ (467,792) (Note 2)	\$ 1,098,907	\$ -	
FUPY	Manufacturing and selling chemical products (ethylene glycol, diethylene glycol, triethylene glycol and ethylene oxide) and other specific chemical products.	US\$ 297,500	Indirect	US\$ 179,500	US\$ -	US\$ -	US\$ 179,500	RMB 149,554	56	362,318 (Note 2)	3,893,151	-	Note 3
HXYZ	The production and sales of hot water (non-potable water) and steam; the erection and maintenance of heat-supply pipelines; the consultancy service in heat-supply technologies.	RMB 160,000	Indirect	-	-	-	-	RMB (21,750)	28	(47,121) (Note 2)	232,121	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
US\$272,386	US\$281,636	(Note 1)

Note 1: The Corporation obtained certificate No. 11020408220 from Industrial Development Bureau, Ministry of Economic Affairs according to the "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China", the accumulation of fund is not limited.

Note 2: Based on audited financial statements.

Note 3: Significant non-controlling interests.

**TABLE 8****ORIENTAL UNION CHEMICAL CORPORATION****INFORMATION OF MAJOR STOCKHOLDERS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Far Eastern New Century Corp.	81,217,005	9.16
Yuan Ding Investment Co., Ltd.	70,817,684	7.99
Asia Cement Corp.	63,766,522	7.19
Yuan Tong Investment Co., Ltd.	49,705,396	5.61

Note: The table discloses stockholding information of stockholders whose stockholding percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.

# ORIENTAL UNION CHEMICAL CORPORATION

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**ORIENTAL UNION CHEMICAL CORPORATION**

**STATEMENT OF CASH AND CASH EQUIVALENTS**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

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<b>Name</b>	<b>Maturity Date</b>	<b>Interest Rate (%)</b>	<b>Amount</b>
Bank balance			
Repurchase agreements collateralized by bonds	January 3, 2022	0.25	\$ 470,000
Checking accounts			162,020
Demand deposits (Note)			98,794
Petty cash			<u>110</u>
			<u>\$ 730,924</u>

Note: Including demand deposits of US\$2,695 thousand and the exchange rate was US\$1=NT\$27.68.

## ORIENTAL UNION CHEMICAL CORPORATION

## STATEMENT OF NOTES AND TRADE ACCOUNTS RECEIVABLE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Notes Receivable	Trade Receivables	Total
Related parties			
Far Eastern New Century Corp.	\$ -	\$ 105,719	\$ 105,719
Others (Note)	-	6,043	6,043
	<u>-</u>	<u>111,762</u>	<u>111,762</u>
Unrelated parties			
Sino-Japan Chemical Co., Ltd.	67,200	6,451	73,651
Hung Chou Fiber Industrial Co., Ltd.	-	96,202	96,202
Chi Mei Corp.	-	94,923	94,923
Tainan Spinning Co., Ltd.	-	91,550	91,550
Shinkong Synthetic Fibers Corp.	-	81,928	81,928
Lealea Enterprise Co., Ltd.	-	59,577	59,577
San Fu Chemical Co., Ltd.	-	56,456	56,456
Others (Note)	10,480	348,639	359,119
	<u>77,680</u>	<u>835,726</u>	<u>913,406</u>
Less: Allowance for impairment loss	<u>466</u>	<u>5,685</u>	<u>6,151</u>
	<u>\$ 77,214</u>	<u>\$ 941,803</u>	<u>\$ 1,019,017</u>

Note: The amount of each client in others does not exceed 5% of the account balance.

## ORIENTAL UNION CHEMICAL CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

	Beginning Balance		Increase		Decrease		Adjustments on Equity Method		Ending Balance		Net Assets Value
	Thousands Shares	Amount	Thousands Shares	Amount	Thousands Shares	Amount	Thousands Shares	Amount	Thousands Shares	Percentage of Ownership (%)	
PPL	148	\$ 4,864,238	-	\$ -	-	\$ -	\$ (215,662)	148	100	\$ 4,648,576	\$ 4,648,576
TFIC	149,694	1,226,009	3,817	-	-	-	67,582	153,511	100	1,293,591	1,497,623
OUCG (Bermuda)	104	786,507	-	-	-	-	72,721	104	100	859,228	859,228
		<u>\$ 6,876,754</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ (75,359)</u>			<u>\$ 6,801,395</u>	

Note 1: Adjustments on equity method amount include:

a) Share of loss of subsidiaries accounted for using equity method	\$ (133,311)
b) Exchange differences on translating the financial statements of foreign operations	(23,715)
c) Changes in the Corporation's share of the equity of associates and subsidiaries	(52,300)
d) Stocks of the parent company disposed of by the subsidiary and recognized as treasury shares transaction	113,967
	<u>\$ (75,359)</u>

Note 2: The ending balance includes \$28,599 stocks pledged to financial institutions.



## ORIENTAL UNION CHEMICAL CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Financial Instruments Name	Balance, January 1, 2021 (Note)		Additions in Investment		Decrease in Investment		Adjustments on		Balance, December 31, 2021		Accumulated Impairment	Provide a Guarantee or Pledge
	Shares	Fair Value	Shares	Amount	Shares	Amount	Financial Instruments	Shares	Fair Value			
Asia Cement Corp.	8,486	\$ 3,66,609	-	\$ -	-	\$ -	\$ 9,335	8,486	\$ 3,75,944	NA	None	
Far Eastern Department Stores Ltd.	14,378	345,077	-	-	-	-	(36,664)	14,378	308,413	NA	None	
Everest Textile Co., Ltd.	12,886	126,924	-	-	-	-	(33,116)	16,041	154,466	NA	None	
Far Eastern New Century Corp.	6,888	199,421	6,066	60,658	2,911	-	2,411	6,888	201,832	NA	None	
Oriental Petrochemical (Taiwan) Co., Ltd.	309,334	2,548,915	-	-	-	-	(197,974)	309,334	2,350,941	NA	None	
Grand Cathay Venture Capital Co., Ltd.	26,667	2,64,800	-	-	-	-	56,800	26,667	321,600	NA	None	
Eminent Venture Capital Corp.	2,700	15,714	-	-	-	-	9,855	2,700	25,569	NA	None	
Eminent II Venture Capital Corp.	3,600	25,632	-	-	-	-	2,160	3,600	27,792	NA	None	
Tai An Technologies Corp.	500	7,150	-	-	-	-	(185)	500	6,965	NA	None	
		<u>\$ 3,900,242</u>		<u>\$ 60,658</u>			<u>\$ (187,378)</u>		<u>\$ 3,773,522</u>			

**ORIENTAL UNION CHEMICAL CORPORATION**

**STATEMENT OF TRADE PAYABLES**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Marubeni Taiwan Co., Ltd.	\$ 487,893
CPC Corp., Taiwan	233,204
Mitsubishi Corp.	91,863
Taiwan Power Company	80,889
Others (Note)	<u>223,261</u>
	<u>\$ 1,117,110</u>

Note: Each of the suppliers was less than 5% of the total account balance.

**ORIENTAL UNION CHEMICAL CORPORATION**

**STATEMENT OF OPERATING REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Quantity (Ton)</b>	<b>Amount</b>
Ethylene oxide and ethylene glycol products	356,708	\$ 7,074,886
Special chemicals products	168,644	6,285,438
Gas products	460,682	<u>1,313,407</u>
		<u>\$ 14,673,731</u>

**ORIENTAL UNION CHEMICAL CORPORATION**

**STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Raw materials, beginning of year	\$ 47,298
Add: Raw material purchased	10,929,449
Catalysts roll-in	201,972
Less: Raw materials, end of year	221,333
Others	<u>961</u>
Direct raw material used	10,956,425
Direct labor	62,728
Manufacturing expenses	<u>1,103,744</u>
Manufacturing cost	12,122,897
Work in process, beginning of year	12,013
Add: Work in process purchased	32,337
Less: Work in process, end of year	<u>25,489</u>
Cost of finished goods	12,141,758
Finished goods, beginning of year	294,729
Add: Finished goods purchased	565,699
Others	1,959
Less: Finished goods, end of year	379,840
Others	<u>4,214</u>
Operating costs	<u>\$ 12,620,091</u>

## ORIENTAL UNION CHEMICAL CORPORATION

STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

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

	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Expected Credit Loss	Total
Salaries	\$ 45,767	\$ 70,598	\$ 74,352	\$ -	\$ 190,717
Freight	270,880	-	-	-	270,880
Export sales expenses	166,388	-	-	-	166,388
Repair and maintenance expense	35,619	6,266	16,527	-	58,412
Depreciation expenses	49,084	2,245	20,762	-	72,091
Others (Note)	<u>60,004</u>	<u>40,512</u>	<u>45,216</u>	<u>1,177</u>	<u>146,909</u>
	<u>\$ 627,742</u>	<u>\$ 119,621</u>	<u>\$ 156,857</u>	<u>\$ 1,177</u>	<u>\$ 905,397</u>

Note: Total amount of each item in others does not exceed 5% of the account balance.

## ORIENTAL UNION CHEMICAL CORPORATION

STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)

	2021				2020			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Expenses	Total
Labor cost								
Salary expenses	\$ 200,539	\$ 180,879	\$ -	\$ 381,418	\$ 163,485	\$ 136,683	\$ -	\$ 300,168
Insurance expenses	19,269	12,788	-	32,057	18,786	11,873	-	30,659
Pension	10,444	9,322	-	19,766	11,619	10,082	-	21,701
Board compensation	-	9,838	-	9,838	-	1,432	-	1,432
Others	44,618	15,450	-	60,068	40,909	11,843	-	52,752
	<u>\$ 274,870</u>	<u>\$ 228,277</u>	<u>\$ -</u>	<u>\$ 503,147</u>	<u>\$ 234,799</u>	<u>\$ 171,913</u>	<u>\$ -</u>	<u>\$ 406,712</u>
Depreciation expenses	\$ 478,765	\$ 72,091	\$ 82	\$ 550,938	\$ 475,165	\$ 55,818	\$ 83	\$ 531,066
Amortization expenses	\$ 7,177	\$ 1,980	\$ -	\$ 9,157	\$ 8,111	\$ 1,670	\$ -	\$ 9,781

Note 1: For the years ended December 31, 2021 and 2020, the average numbers of the Corporation's employees were 345 and 352, respectively, and the numbers of directors who were not employees were both 8.

Note 2: For the years ended December 31, 2021 and 2020, the average labor cost were \$1,464 thousands and \$1,178 thousands.

Note 3: For the years ended December 31, 2021 and 2020, the average salary expenses were \$1,132 thousands and \$873 thousands.

Note 4: Average Adjustment of salary expenses were 30%.

Note 5: Pursuant to Rule No. 10200531121 issued by the FSC, the Corporation established the Audit Committee to replace Supervisors.

Note 6: Pursuant to the Corporation Law and the Article 33 of Articles of Incorporation, 1% to 2% of profit of the current year should be distributed as employees' compensation and not more than 1% of profit of the current year should be distributed as directors' remuneration in the case where there are profits for the current year. However, the Corporation's accumulated losses shall have been covered. The Corporation may, by a resolution adopted by the board of directors with consent of over half of the least two third of total Directors attendant, determine the actual ratio, amount, form (in the form of shares or in cash) and the number of shares distributable as employees' compensation; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. The remuneration paid to independent directors is a fixed amount. The actual ratio and amount of the profit distributable as directors' remuneration shall also be determined by the board of directors in accordance with the "Board Performance Evaluation Rule", and a report of such distribution shall be submitted to the shareholders' meeting. The remuneration of directors, presidents, executive vice presidents, and managers was paid according to not only the peer standards but also the correlations with the personnel assessment, operational performance, and future risks. The remaining compensation is determined based on the business results of the whole Corporation and each department; meanwhile, results of market survey on the general salary level of TWSE-listed companies and reports by professional consulting companies will also be used as references. In addition, the remuneration committee of the Corporation regularly (at least once a year) reviews and evaluates the remuneration policies, systems, standards and structures of directors and managers, and presents its recommendations to the board of directors for discussion in order to balance the Corporation's sustainability and risk control.

The salary of employees includes monthly salary and remuneration paid by the Corporation based on annual profitability. The Corporation determines the total amount of performance bonuses and remunerations based on the Corporation's operating results and with reference to the level of domestic industry distribution. The amount each employee receives depends on their position, contribution, and performance.

## VII. Review and Analysis of the Financial Position and Performance and Risk Management

### 1. Financial Position Review

#### Review and analysis of consolidated financial position

Currency unit: NTD thousand

Item	Year	2021	2020	Variance	
				Amount	%
Current assets		\$ 6,293,412	\$ 6,286,281	\$ 7,131	0
Property, plant and equipment		14,641,722	14,572,234	69,488	0
Intangible assets		46,382	31,431	14,951	48
Other assets		12,794,655	13,213,681	( 419,026)	( 3)
Total assets		33,776,171	34,103,627	( 327,456)	( 1)
Current liabilities		8,678,751	8,911,854	( 233,103)	( 3)
Non-current liabilities		9,176,818	10,279,967	( 1,103,149)	( 11)
Total liabilities		17,855,569	19,191,821	( 1,336,252)	( 7)
Capital stock		8,857,031	8,857,031	0	0
Capital surplus		1,006,828	956,286	50,542	5
Retained earnings		4,320,179	3,437,942	882,237	26
Other equities		( 1,222,885)	( 959,492)	( 263,393)	( 27)
Treasury stock		( 124,373)	( 187,798)	63,425	34
Interest attributable to parent company		12,836,780	12,103,969	732,811	6
Non-controlling interest		3,083,822	2,807,837	227,985	10
Total equities		15,920,602	14,911,806	1,008,796	7
<p>Note: The causes of changes in analysis of more than 20%:</p> <ol style="list-style-type: none"> <li>1. The increase in intangible assets was due to the purchase of intangible assets.</li> <li>2. The increase in retained earnings was due to the net income increase attributable to parent company.</li> <li>3. The decrease in other equities resulted from the increase in unrealized loss on financial assets at fair value through other comprehensive income.</li> <li>4. The decrease in treasury stock was due to the sold out of the Company's stock by its subsidiary Tong Fu Investment Corp.</li> </ol>					

## 2. Financial Performance Analysis

### Analysis on consolidated financial performance

Currency unit: NTD thousand

	2021	2020	Increase (decrease)	Ratio (%)
Operating revenue	\$ 27,481,719	\$ 18,763,159	\$ 8,718,560	46
Operating cost	24,929,674	18,245,325	6,834,349	37
Gross profit (loss)	2,552,045	517,834	2,034,211	393
Operating expenses	1,130,053	973,826	156,227	16
Operating income (loss)	1,421,992	( 455,992)	1,877,984	412
Non-operating revenue and expense	( 46,917)	( 851,297)	804,380	94
Profit (Loss) before income tax	1,375,075	( 1,307,289)	2,682,364	205
Income tax benefit	188,320	164,358	23,962	15
Net profit (loss)	1,186,755	( 1,471,647)	2,658,402	181
Other comprehensive income (loss)	( 291,926)	( 178,552)	( 113,374)	( 63)
Total comprehensive income (loss)	894,829	( 1,650,199)	2,545,028	154

1. Notes to increase/decrease:

- (1) The increase in operating revenue was mainly due to the increase in the unit price of MEG and specialty chemicals, as well as the increase in sales volume of SC in 2021.
- (2) The increase in operating cost was mainly due to the increase in ethylene price in 2021.
- (3) The increase in gross profit, operating income, profit before income tax and net profit were due to that the price increase of MEG in 2021 is greater than that of the raw materials, which resulted in the decrease of losses, as well as the profit increase of specialty chemicals.
- (4) The increase in non-operating revenue and expense was due to the increase of other income.
- (5) The increase of other comprehensive loss was due to the increase in exchange loss from the conversion of financial statements of foreign operating agencies.

2. The crucial factors of 2022 sales volume forecast, and the continuous growth or decline reflected from such forecast are based on the follows: The optimal production rates of EG, GAS and Specialty Chemicals to create the best profits are to follow the overall operation strategy of the Company. (Please refer to "Letter to Shareholders" for detail).



### 3. Cash Flow Review and Analysis

#### 3.1 Analysis of change in cash flow of last year

Currency unit: NTD thousand

Year	Balance of cash-beginning	Net cash flow from operating activities over the year	Cash outflow over the year	Surplus (deficit)	Remedy for deficit in cash	
					Investment plan	Financing plan
2021	2,734,878	3,691,357	(4,322,668)	2,103,567	—	—

- Analysis of changes in cash flow
  - Operating activities: primarily operating capital inflow.
  - Investment activities: primarily capital expenditure.
  - Financing activities: primarily for the loan repayment.
- Remedy for cash deficit and liquidity analysis: N/A

#### 3.2 Analysis of change in cash flow of next year

Currency unit: NTD thousand

Year	Balance of cash-beginning	Net cash flow from operating activities over the year	Cash outflow over the year	Surplus (deficit)	Remedy for deficit in cash	
					Investment plan	Financing plan
2022	2,103,567	1,875,000	(1,848,000)	2,130,567	—	—

- Analysis of changes in cash flow
  - Cash flow from operating activities: It is expected that the cash inflow from operating activities will be NTD 1,875,000 thousand this year.
  - Projected cash outflow: primarily from the capital expenditures; it is expected that the cash outflow from investment and financing activities will be NTD 1,848,000 thousand in 2022.

### 4. The effect of major capital expenditure on the financial position and operation of the company

#### 4.1 Status of utilization of major capital expenditure and source of capital

Domestic capital expenditure

Currency unit: NTD thousand

Item	Project	Actual source of capital	Est. date of completion	Total capital expenditure	Status of capital utilization				
					Up till 2018	2019	2020	2021	2022 estimated
(1)	Collaborative construction of ethylene storage tank at the Intercontinental Port of Kaohsiung Harbor	Own capital and financing	2023/12	\$1,180,000	—	\$21,602	\$168,589	\$326,460	\$280,000
(2)	Installment of New SC plants	Own capital and financing	2022/06	\$1,015,000	—	—	\$106,281	\$600,965	\$307,754
(3)	Expansion of EOD esterified product line	Own capital and financing	2022/06	\$326,000	—	—	—	\$57,238	\$268,762
(4)	EOPD polyether polyol development	Own capital and financing	2022/06	\$75,000	\$45,927	\$12,474	\$3,470	\$7,514	\$5,615

## 4.2 Projected potential effects

### 4.2.1 Analysis of effects of the capital expenditures:

#### Domestic capital expenditure

- (1) The collaborative construction of ethylene storage tank at Intercontinental Port of Kaohsiung Harbor

To enhance the flexibility of procurement of major raw material for production, and reduce the risks of raw material supply and import costs.

- (2) The installment of new Specialty Chemical Plants in Linyuan

To integrate vertically the current EO derivatives and increase product chain value, the Company develops with its own technology the high value-added specialty chemicals for production.

- (3) The expansion of EOD esterified product line

By way of the extension of the ethoxylates from existing EOD plant, based on the intermediate chemicals, to expand the production and sale of small volume, fine and tailored products of high value.

- (4) EOPO Polyether Polyol development

By developing the production technology of high value-added products of polyurethane (PU) and the related, to complete and enhance polyol production capability so to increase the profit of specialty chemicals.

- 4.2.2 The proposed capital expenditures would help to enhance the new products' competitiveness, the reliability and efficiency of the production capability, as well as the Company's identity. There would be no adverse effect on the financial position and operation of the Company.

## 5. Direct investment policy, the main reasons for profit or loss as well as the corrective action plan over past year, and an investment plan for next year

### 5.1 Reinvestment policy

The Company has invested indirectly in the business of EO, EG, GAS in China, via its holding company, to diversify company operations, enhance its competitiveness and expand market share in China.

### 5.2 The main reasons for profit or loss and the corrective action plan over past year (2021)

The company's 2021 share of loss of subsidiaries and associates accounted for using equity method totaled NTD 113,311 thousands. To cope with challenges of the overall environment, the Company strives for continuous improvement in production processes, cost-down, competitiveness, and active transformation for the development of high value-added, high tech and green products.

### 5.3 Substantial investment plans for next year: (please refer to p74)

## 6. Analysis of risk factors

### 6.1 Impact of interest and exchange rate changes and inflation for last year, and the future

6.1.1 Looking back on 2021, the global economic recovery has been affected by the rising geopolitical risks, Sino-US trade disputes and the epidemic. Even though the epidemic is currently easing, 2022 is surrounded by the uncertainties of China-US competition, geopolitical risks as well as inflation.

In despite of the loosened domestic funds, stable and low-leveled interest rates in recent years, the company appropriately matches different date structures in short-term operations, locks in medium and long-term interest rates and plans fixed-rate financing tools to continue to monitor financing rates, to cope with the rapidly changing political and economic status globally. Carry out risk hedging control to reduce the increase in the company's financing costs caused by future interest rate fluctuations. The company will continue to observe the trend of market interest rates and cooperate with various long- and short-term financing tools to reduce the overall cost of capital.

6.1.2 The Company and its joint-venture company adopt natural hedging for spot, foreign currency assets and liabilities due to the import & export operation, based on the exchange rate at the moment and the considered accounting cost. Same strategy will be adhered in the future to retain the evaluation of exchange gain and loss caused by exchange rate changes within reasonable level to reduce possible impact on the income of the Company and its joint-venture.

### 6.2 Policy on high-risk, high-leverage investments, loans, endorsements and guarantees, financial derivative transactions, and other major causes of profit or loss, and future countermeasures:

6.2.1 The Company and its joint-venture have never engaged in any high-risk, high-leverage investments over past year.

6.2.2 In accordance with the "Regulations Governing the Loan of Funds and Making of Endorsements/ Guarantees by Public Companies" promulgated and enforced by the competent authority, the Company and its subsidiaries defined its "Procedures for Capital Lending to Others", which was submitted to the Company Board of Directors and the shareholders' meeting. To comply with risk control and protect the Company from any adverse results, "Procedures for Capital Lending to Others" ratified by the Board of Directors and shareholders meeting will be proceeded accordingly.

### 6.3 Future R&D plans and expected R&D expenditure:

In 2022, the Company will strive to develop new EOD/POD product lines and direct R&D towards the following areas:

6.3.1 R&D major capital expenditure projects as follows:

Currency unit: NTD thousand

Name of Project	Expected Result	Projected completion date	Budget (NT\$)
Propylene oxide (PO) technology	To develop technology of PO production, as feedstocks for polyether polyol, polyetheramine, and the like, for the vertical integration of product chain.	2022/12	500

Name of Project	Expected Result	Projected completion date	Budget (NT\$)
Technology development of the special-specification raw materials for EOPO polyether polyol	To continue establishing particular ring-opening polymerization technology to produce the polyether polyol items of high value, which can be applied to the high-specs resin products.	2022/12	500
Amination derivatization reaction of polyether alcohol group	To synthesize a variety of polyetheramine products for the domain of wind blades, water-resistant & anti-corrosion coatings, high-strength structures of wear- and weather-resistant, etc.	2022/12	500
Ethylene amine reprocessing technology development	To establish a series of N-hydroxyethyl-2-imidazolidinone products for applications in coatings, adhesives, hydrophilic modifiers, etc.	2022/12	800
Ethanolamine reprocessing technology development	To establish N-methyldiethanolamine for applications in petrochemical, textile, pharmaceutical, ink or coating industries	2022/12	800
Ethylene carbonate transesterification technology	To develop PCDL technology combing EC with diol, in replacement of current synthesis of polycarbonate diol, to reduce energy consumption and production cost.	2022/12	800
CO2 derivatization technology	To develop the synthesis technology for CO2 contained surfactants for the replacement of current surfactant products as well as CO2 recycling	2022/12	800
PET alcoholysis recycling	To develop the alcoholysis technology for recycled PET to decompose to targeted molecular weight, which raw materials produced can be applied to packaging, sound/heat insulation, boards, and insulating materials.	2022/12	800
Synthesis and process development of high performance concrete water reducer and functional additives	To develop high-performance & solid water reducer/slump retention agent, hydration heat inhibitor for massive concrete, foaming agent for lightweight concrete, and grinding aid for cement/hearth stone.	2022/12	1,500
Synthesis and formulation development for functional daily chemicals/industrial surfactants	Develop special surfactant formulations such as cleaning / defoaming / emulsification / dispersion / film formation / water repellent / oil repellent / pour point reduction / antibacterial required for daily chemicals and various manufacturing fields.	2021/12	1,000

Name of Project	Expected Result	Projected completion date	Budget (NT\$)
Environmentally-friendly product development	To develop biodegradable polyester material for paper laminating/foaming, surfactant/polyol containing CO <sub>2</sub> , surfactant/polyol/polyester materials containing recycled PET.	2022/12	1,000
Continued development of customized high value-added EOD/POD products	To synthesize various alcohol/phenol/tallow amine for polyether, UV curing resin, EO/PO copolymer for low foam surfactant.	2022/12	1,000

6.3.2 Major factors critical to successful R&D:

- (1) The quality level of self-owned catalytic technology and the execution of outsourcing cooperation via OEM.
- (2) The operation of high-pressure automated successive reaction equipment and the test of catalyst lifetime.
- (3) The acquirement of applicable commercial catalyst for each new technology or the development capability for self-owned catalytic technology.
- (4) Establish the high-value special-spec polyether polyol and the application status of downstream customers.
- (5) The application of amine derivatives to downstream customers.
- (6) Establish technology and equipment of purification separation.
- (7) Establish full comprehension of concrete raw materials and performance requirements, to provide the down-stream customers with overall solutions.
- (8) Establish the control over free radical polymerization conditions to secure the stability of production process and product quality.
- (9) Establish catalyst selection and process condition optimization for ethylene carbonate ring-opening/PET alcoholysis reaction.
- (10) Establish the control over esterification/transesterification reaction conditions to secure the stability of production process and product quality.

**6.4 Changes in important policies and the legal environment at home and abroad, and the effect on Company financial status and operation, and countermeasures:**

- 6.4.1 Company management will closely monitor the changes in important policies and the legal environment at home and abroad, and have the professional entity provide suggestions and countermeasures.
- 6.4.2 In addition to the insurance for assets risk transfer, the Company conducts regular reviews on customers' status prior to deciding the credit ratings and allowances in the Credit Committee, to lower the risk exposure of finance.

### **6.5 The technological (incl. information and telecommunication safety risks) and industrial changes, and their effect on the financial status and operation of the Company, and countermeasures:**

Following the advent of a new era of the global internet and the big data, the Company is introducing the intelligent network and the Industry 4.0 technology into its business development and manufacturing process, as the products of EO derivatives are inclined to refinement and customization.

The Company's endeavors in transformation into a SC company secure the dispersion of business risk, especially in light of the continuing economic growth in China. With the increase in its average per capita income, the demand for personal care products, detergents, medical care, civil engineering and textile has become substantial. In consideration of the source of raw materials, the Company has established EOD plants in Taiwan and Yangzhou, China, planning to introduce new PO manufacturing process and develop high profit POD products. With feedstock ethylene and propylene available, the Company can further process to develop the derivatives of ethylene and propylene and related product chains based on the established technologies in epoxidation, special ring-opening polymerization, high-pressure amination technology, formulation, polymerization preparation, special dispersion, end-capping, and structural design. The Company's subsidiary, Far Eastern Union Petrochemical (Yangzhou) Ltd, is primarily engaged in the production of general EO derivatives, while Taiwan plant in functional chemical production and EO derivatives development domestically, which strategic development in both technology upgrades and market shares in Taiwan and China paves the road to diversification of the Company.

The impairment impact and countermeasures of the Company's information system to its financial operation: According to the risk levels of the information system structure to establish a highly applicable remote backup mechanism to ensure an uninterrupted connection and service, having the backup info forwarded to a different location for preservation. To lower the unexpected natural disasters or man-made errors resulted in the risks in system interruption and further assure of the system recovery in compliance with the schedule targeted, all sorts of simulation tests and contingency drills at the hub were enhanced to ensure the normal operation and information security. In addition, the Company has stipulated the information management regulation to set up and maintain a secure environment for its information and computing system. Nonetheless, with the aforementioned policy, procedures, and information protection measures implemented, there is no guarantee that the Company's computing systems for vital corporate functions as manufacturing and operation can be totally safeguarded from the sabotage via cyberattack of the third party.

### **6.6 The Impact of changes in corporate identity on Company crisis management, and countermeasures:**

The Company steadfastly adheres to an enterprise spirit that highlights "Sincerity, Diligence, Thrift, Prudence and Innovation", and fulfills all their corporate social responsibilities including environmental protection, responsible care and good neighborliness. There has been no business crisis resulted in the change of corporate identity.

### **6.7 The expected benefits and possible risks of merger or acquisition, and countermeasures:**

The Company has had no plans for merger or acquisition in recent years.

### **6.8 Expected benefits and possible risks of facility expansion, and countermeasures:**

Please refer to the statement regarding the effects of major capital expenditure on the financial position and operation of the Company over the last year on Pages 119~120 of the annual report.

**6.9 The risks from centralized purchasing or selling, and countermeasures**

The primary supply of Ethylene, the main raw material of the Company products (EO/EG) comes from CPC in Taiwan. To ensure a stable source of material, the Company maintains a long-term stable cooperative relationship with CPC, and is seeking proactively other foreign source supply to reduce the risks of centralized purchase, to maintain normal production and sales.

Most of the Company's products are sold on the Taiwan market, and the surplus is exported to other territories. These territories and industries have been adequately dispersed and there is no likelihood of centralization.

**6.10 The impact and risk associated with large share transfers or changes in shareholdings of Directors, Supervisors, or shareholders who hold more than 10% of the Company's shares, and countermeasures: Nil**

**6.11 The impact and risk associated with changes in management rights, and countermeasures: Nil**

**6.12 Litigation and non-litigation matters which might materially affect shareholder equity or the price of securities: Nil**

**6.13 Other substantial risks: Nil**

**7. Other important notes: Nil**

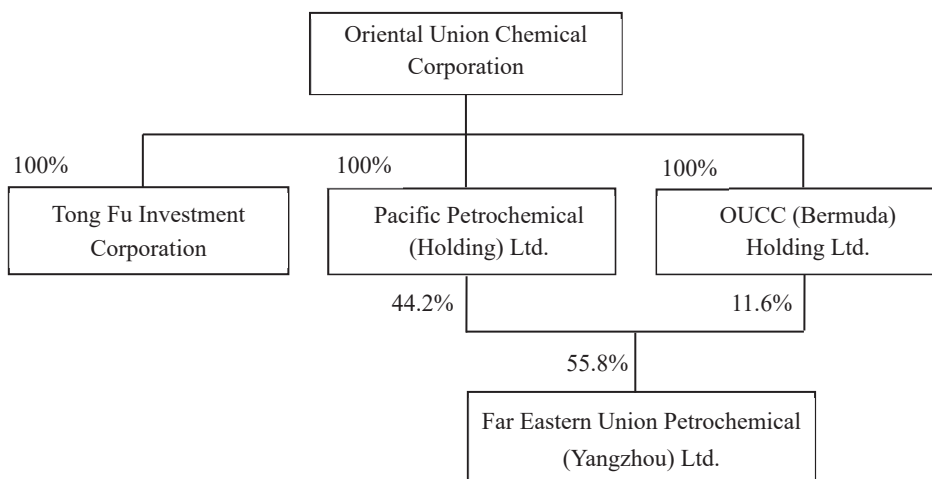
## VIII. Special Disclosure

### 1. Information of affiliates

#### 1.1 Consolidated financial report on affiliates

##### 1.1.1 Organizational chart of affiliations:

Record date: April 11, 2022



##### 1.1.2 Profiles of affiliates

Currency unit: NT\$ thousand, unless otherwise noted

Name	Date of incorporation	Address	Paid-in capital	Principal business or product lines
Tong Fu Investment Corporation	May 1998	13F, No. 101, Fu-Hsing N Road, Taipei City	NTD1,535,112	Investment
Pacific Petrochemical (Holding) Ltd.	October 2002	P O Box 3140, Road Town British Virgin Islands Tortola	US\$ 148	Investment
OUCC (Bermuda) Holding Ltd.	September 2007	Veritas Place, 6 <sup>th</sup> Floor, 65 Court Street, Hamilton HM 12, Bermuda	US\$ 104	Investment
Far Eastern Union Petrochemical (Yangzhou) Ltd.	May 2012	No. 8, Ya Tung Road, Yi Cheng City, Yangzhou	US\$297,500	Production of petrochemical intermediate materials

##### 1.1.3 Business lines covered by the industries engaged in by affiliates: Please see the profile of affiliates.



1.1.4 The profiles of Directors, Supervisors and Presidents of affiliates.

Unit: share; %  
Record date: April 11, 2022

Name	Job title	Name or representative	Shares held when appointed	
			Quantity of shares (share)	Shareholding (%)
Tong Fu Investment Corporation	Director  Supervisor President	Oriental Union Chemical Corporation Humphrey Cheng (Chairman), Victoria Peng, Amy Cheng, David Chiang Humphrey Cheng	153,511,190	100
Pacific Petrochemical (Holding) Ltd	Director	Oriental Union Chemical Corporation Justin Tsai, K.S. Wu, Humphrey Cheng	148,356	100
OUC (Bermuda) Holding Ltd	Director	Oriental Union Chemical Corporation Justin Tsai, K.S. Wu, Humphrey Cheng	103,580	100
Far Eastern Union Petrochemical (Yangzhou) Ltd	Director  Supervisor President	Pacific Petrochemical (Holding) Ltd. Paul Chuang (Chairman), Justin Tsai, Victoria Peng, James Chou Far Eastern Petrochemical (Holding) Ltd. Humphrey Cheng, K. S. Wu Daniel Yu, Mike Wu James Chou	—	55.8

1.1.5 Overview of affiliates operation:

Currency unit: NT\$ thousand, unless otherwise noted  
Record date: December 31, 2021

Name	Paid-in capital	Total assets	Total liabilities	Net value	Operating revenue	Operating income	Net Income	EPS (NT\$)
Tong Fu Investment Corporation	1,535,112	2,031,105	533,482	1,497,623	15,039	13,104	5,915	0.04
Pacific Petrochemical (H) Ltd.	4,608 RMB1,030	4,819,279 1,108,609	3,773 868	4,815,506 1,107,741	0	(25,504) (5,874)	(195,038) (44,922)	(1,315) (303)
OUC Bermuda (H) Ltd.	3,214 RMB728	859,328 197,677	100 23	859,228 197,654	0	(718) (165)	75,812 17,461	732 169
Far Eastern Union Petrochemical (Yangzhou) Ltd.	8,943,517 RMB1,891,362	13,899,436 3,197,375	6,922,463 1,592,418	6,976,973 1,604,957	12,792,949 2,946,550	286,759 66,048	649,315 149,554	N/A

**1.2 Consolidated financial statement of affiliates**

**Declaration of consolidated financial statement of affiliates**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Declarant:

Company name: Oriental Union Chemical Corporation

Responsible person: Douglas T. Hsu



March 7, 2022

**1.3 Affiliate report: N/A**

**2. Private placement of securities: Nil**

**3. Status of company stock held or disposed of by subsidiaries over past year and up to the date of publication of the annual report:**

Date: May 15, 2022

Unit: NTD thousand; thousand shares; %

Name of subsidiary	Paid-in capital	Source of capital	the Company's shareholding	Date of acquisition or disposal	Quantity of shares and amount	Quantity of shares from disposal and amount	Investment income	Quantity of shares held up to the date of publication of the annual report and amount	Status of pledge	Amount of endorsement/guarantee made by the Company for a subsidiary	Amount loaned by the Company to a subsidiary
Tong Fu Investment Corporation	1,585,923	—	100%	Note				Quantity of shares 9,109 thousand shares Amount 124,373	—	1,500,000	—

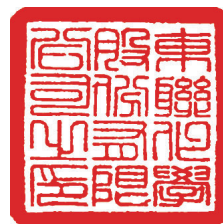
Note: Quantity of acquisition or disposal of shares held up to the date of publication of the annual report and amount

Date of acquisition or disposal	Quantity of shares disposed (thousand shares)	Amount of disposal (NTD thousand)	Investment Income (NTD thousand)
2021.9.29	40	916	370
2021.9.30	145	3,329	1,349
2021.10.4	50	1,145	462
2021.10.6	350	8,210	3,431
2021.10.7	270	6,351	2,664
2021.10.8	990	24,082	10,564
2021.10.12	210	5,166	2,299
2021.10.13	70	1,645	689
2021.10.18	770	18,504	7,990
2021.10.19	1,190	30,175	13,926
2021.10.20	100	2,684	1,319
2021.10.21	40	1,080	534
2021.10.22	60	1,602	783
2021.10.25	80	2,102	1,010
2021.10.27	100	2,505	1,139
2021.11.3	30	741	331
2021.11.8	90	2,223	994
2021.11.10	60	1,507	688
<b>Total</b>	<b>4,645</b>	<b>113,967</b>	<b>50,542</b>

**4. Other supplementary notes:** Nil

**5. Any matters of material significance that could have affected shareholder equity or securities price last year and up to the date of publication of the annual report, pursuant to the regulation of Article 36-3-2 of Securities and Exchange Act:** Nil

**Oriental Union Chemical Corporation**



**Chairman of the Board**

徐旭東





**東聯化學股份有限公司**  
**Oriental Union Chemical Corp.**

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