

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Annual Report 2021

• China

• Vietnam

• United S

Stock : 2103

Annual Report website of FSC : <https://mops.twse.com.tw>

The company's website : <https://www.tsrc.com.tw>

Published on Mar 20, 2022



TSRC CORPORATION

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Spokesman:Edward Wang
Job title: Vice President
TEL:02-37016000
E-mail:spokesman@tsrc-global.com

Deputy Spokesman:Cheng-Nan Lin
Job title: Sr. Asst.Vice President
TEL:02-37016000
E-mail:spokesman@tsrc-global.com

Head office:
No.2, Singgong Rd., Dashe Dist.,
Kaohsiung City, Taiwan R.O.C.
Tel: 07-351 3811
<http://www.tsrc.com.tw>
Taipei office
18F., No. 95, Sec. 2, Dunhua S. Rd.,
Taipei City, Taiwan R.O.C.
Tel: 02-3701 6000
Fax: 02-3701 6868
Kaohsiung Factory:
No.2, Singgong Rd., Dashe Dist.,
Kaohsiung City, Taiwan R.O.C.
Tel: 07-351 3811
Fax: 07-351 4705
Gangshan Factory:
No.39, Bengong 1st Rd., Gangshan
Dist., Kaohsiung City, Taiwan R.O.C.
Tel: 07-623 3005
Fax: 07-622 5481

Stock Agent:SinoPac Securities Co. Ltd. Stock division
Head office:3F., No.17, Bo-ai Rd., Jhongjheng
District, Taipei City 100, Taiwan R.O.C.
TEL:02-23816288
<http://www.sinotrade.com.tw>

Financial Statement Auditing CPAs:
Name of CPA: Po Shu Huang and Ming Hung Huang
Office:KPMG
Head office:68F., No.7, Sec. 5, Sinyi Rd., Sinyi District,
Taipei City 110, Taiwan R.O.C. (TAIPEI 101)
TEL:02-81016666
<http://www.kpmg.com.tw>

The name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: No

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	Page
Letter to the Shareholders	4
Company profile	6
I. Date of incorporation	7
II. Company history	7
Corporate governance report	8
I. Company's organization	9
II. Information on Board of Directors and Presidents	10
III. The remuneration of directors and major managers	16
IV. Status of corporate governance implementation	21
V. Information regarding TSRC' s audit fees	45
VI. Information on replacement of CPA	45
VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies	45
VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements	45
IX. Disclosure of Interrelationship among top 10 largest shareholders	46
X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries	47
Information on capital raising activities	48
I. Capital and shares	49
II. Corporate Bonds Status	53
III. Preferred stocks Status	53
IV. Global depository receipts Status	53
V. Employee stock warrants Status	53
VI. Restricted Stock Awards Status	53
VII. Status of issuance of new shares for mergers or acquisitions of other companies	53
VIII. Status of capital utilization	53

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	Page
Overview of business operations	54
I. Business overview	55
II. Market overview and production/sales analysis	59
III. Employees information	61
IV. Disbursements of environmental protections	62
V. Labor relations	63
VI. Cybersecurity Management	64
VII. Material contracts	64
Overview of financial status	66
I. Condensed balance sheet and statement of comprehensive income for the recent five fiscal years	67
II. Financial analysis for the recent five fiscal years	71
III. Audit committee's report	74
IV. Consolidated financial statements and independent auditors' report for the most recent fiscal year	75
V. Individual financial statements and independent auditors' report for the most recent fiscal year	75
VI. The impact of financial difficulties in the Company and its affiliates on the Company's financial situation	75
Review and analysis of the Company's financial position and financial performance, and risk management	76
I. Financial position	77
II. Financial performance	77
III. Cash flow analysis	78
IV. Impact of major capital expenditures within the most recent fiscal year on financial operations	79
V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for profit/loss generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year	79
VI. Analysis and assessment of risk management	79
VII. Other important matters	81
Special items to be included	82
I. Information related to the Company's affiliates	83
II. State of the Company's conducting private placements of securities	91
III. Holding or disposal of the Company's shares by the Company's subsidiaries	91
IV. Other matters that require additional description	91
Other disclosures	91
Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities	

[Home page](#)

[Table of Contents](#)

[Letter to the Shareholders](#)

[Company profile](#)

[Corporate governance report](#)

[Information on capital raising activities](#)

[Overview of business operations](#)

[Overview of financial status](#)

[Review and analysis of the Company's financial position and financial performance, and risk management](#)

[Special items to be included](#)

[Other disclosures](#)

[Any circumstances referred to in Paragraph 3\(2\) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities](#)

Letter to the Shareholders

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Letter to the Shareholders

TSRC delivered outstanding performance in 2021 and continued to ensure the health and safety of our employees as our outmost priority during the pandemic. Despite the challenges imposed by port congestions, supply chain disruptions, coronavirus transmission, and Dual Control Policy in mainland China, TSRC achieved record revenue & profit in the past decade by leveraging favorable market dynamics, such as downstream demand recovery, widening price spread between natural rubber and butadiene and strained synthetic rubber supply, and responding to the rapid market changes with operation resilience and close customer collaboration. In terms of equity investments, Indian Synthetic Rubber Private Limited and ARLANXEO-TSRC (Nantong) Chemical Industrial Co., Ltd. also delivered strong profit growth, reflecting the market recovery in India and China.

In 2021, the sales volume was 545 thousand metric tons, an increase of 3% versus 2020. Consolidated revenue was NTD 32,533 million, an increase of 35% compared to NTD 24,024 million in 2020. Gross profit grew 132% to NTD 6,800 million and gross margin was 21%. Operating profit was NTD 3,928 million, an increase of 378% from 2020, and operating profit margin was 12%. As a result, 2021 net income was NTD 3,931 million, inclusive of a one-time land disposal gain of NTD 910 million, and with an EPS (earnings per share) of NTD 4.76.

Staying on course to become a global specialty chemical enterprise, TSRC continues to advance its strategic growth projects, such as increasing the commercial sales volume of solution styrene-butadiene rubber (SSBR) products to global tire brands for advanced green tires and gaining customer qualification for specialty hydrogenated styrenic block copolymer (HSBC) for medical application. In the area of R&D innovation, TSRC had 16 patents granted in 2021. TSRC established its second global R&D center in Texas USA, also its first R&D center outside Taiwan, to accelerate application development and product commercialization of specialty chemical polymers via an expanded international footprint.

Moving into 2022, the International Monetary Fund (IMF) downgraded the global economic growth forecast to 4.4% from 5.9% in 2021 and projected a moderate market growth. The economic outlook is expected to be impacted by challenges from inflation, supply disruptions, trade and geopolitical conflicts, and new coronavirus variants. TSRC plans to continue driving business growth momentum with effective sales and operation planning (S&OP) and business execution. In addition, significant resources and execution focus will be dedicated to key investment projects, such as the Shenhua relocation project, to strengthen our competitive advantages and leading market position. In advancing the Environmental, Social and Governance (ESG) initiative, TSRC will establish corporate targets in key areas including carbon emission reduction, renewable energy adoption, and water resource recycling, as well as detailed action plans to fulfill TSRC's mission in sustainability and steadfast commitment to transformation.

Chairman: Nita Ing

Home page

Table of Contents

Letter to the Shareholders

Company profile

I. Date of incorporation

II. Company history

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities



Company profile

Home page

Table of Contents

Letter to the Shareholders

Company profile

I. Date of incorporation

II. Company history

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

I. Date of incorporation

July 27, 1973

II. Company history

2020's High-Value Transformation and Sustainable Operation

- Establishment of the Global R&D Center in Texas, the U.S.A.
- Relocation and plant expansion of Shen Hua Chemical and ARLANXEO-TSRC

2010's Globalization

- Signed an SBS technology licensing contract with a Russian Company, which was the first technology out-licensing by TSRC.
- Established a joint venture E-SBR plant with an annual output of 120 thousand metric tons in India and a joint venture NBR plant in Nantong, Jiangsu, China.
- Acquired Dexco in the U.S.
- Established a SIS plant with an annual output of 25 thousand metric tons in Nantong, Jiangsu, China.
- Expanded the production line for Advanced Shoe Materials in Gangshan.
- Upgraded the Technology Center and Semi-commercial Plant in Kaohsiung, Taiwan.
- Raised stake in Indian joint venture (Indian Synthetic Rubber Private Ltd.) to 50%
- Completed construction of new SEBS line in Nantong, China.
- Incorporated Vietnam subsidiary. Completed construction of ASM plant in Vietnam.
- Established TSRC Global Application Research Center in Shanghai, China.

2000's Expansion of Production Lines

- Successfully developed the second generation SEBS technology.
- Established Compound plants in Songjian, Shanghai and Jinan, Shandong, respectively.
- Established an SEBS plants with an annual output of 20 thousand metric tons and formed a joint venture-BR plant with an annual output of 50 thousand metric tons respectively in Nantong, Jiangsu, China.

1990's Rapid Regional Expansion

- Established its second SBS production line in Kaohsiung.
- Established Shen Hua Chemical Industrial in Nantong, Jiangsu, China and established an E-SBR plant with an annual output of 100 thousand metric tons. This Company is the first joint venture and overseas Company of TSRC.
- Participated in a joint venture project of BR with an annual output of 50 thousand metric tons in Thailand.
- Successfully developed the first generation of SEBS technology.

1980's Early Growing Stage

- Established a BR plant with an annual output of 40 thousand metric tons.
- Relocated the Philips SBS Plant from Texas, USA to Kaohsiung.

1970's Beginning

- Taiwan Synthetic Rubber Corp. (TSRC) was established in 1973.
- Established an E-SBR plant with an annual output of 100 thousand metric tons (the first E-SBR plant in Taiwan).

[Home page](#)

[Table of Contents](#)

[Letter to the Shareholders](#)

[Company profile](#)

[Corporate governance report](#)

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

[Information on capital raising activities](#)

[Overview of business operations](#)

[Overview of financial status](#)

[Review and analysis of the Company's financial position and financial performance, and risk management](#)

[Special items to be included](#)

[Other disclosures](#)

[Any circumstances referred to in Paragraph 3\(2\) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities](#)

Corporate governance report

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

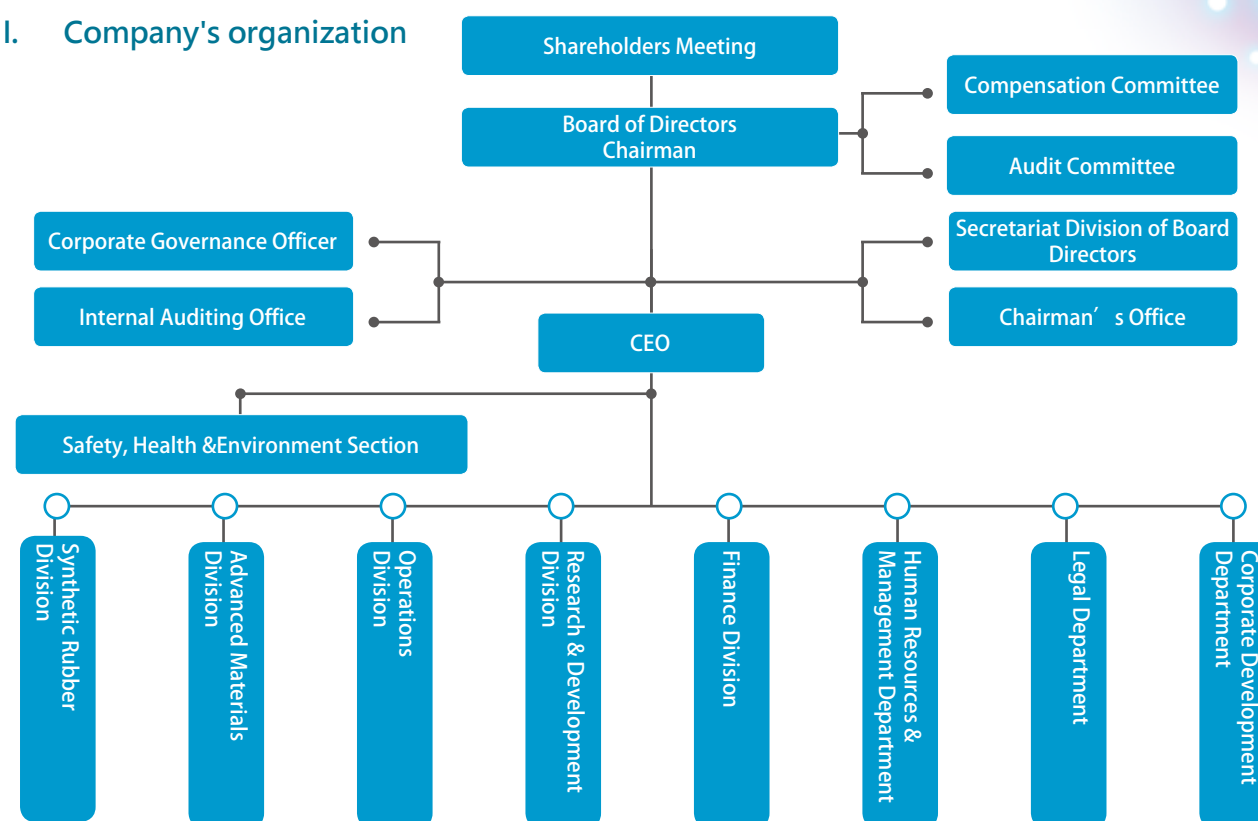
Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

I. Company's organization



Tasks of principal divisions/departments/business

Corporate Governance Officer	Chief officer who is responsible for affairs related to corporate governance, assisting Directors in executing their duties, reinforcing the operations of the Board, and legal compliance.
Internal Auditing Office	Planning and performing internal audit to ensure the effective operation of the internal system as well as establishing corporate risk evaluation and risk management mechanisms.
Secretariat Division of Board Directors	Planning and implementing matters of the Board of Directors for the smooth operation of the Board.
Chairman's Office	Manage Chairman's relevant administrative affairs.
Safety, Health & Environment Section	Prepare, plan for, supervise, and promote management matters of safety and health, as well as environmental protection, and supervise relevant departments in implementation.
Synthetic Rubber Division	Responsible for planning and executing the synthetic rubber business development project, selling synthetic rubber products, analyzing overall performance, and responsible for operation result.
Advanced Materials Division	Responsible for planning and executing the development project for advanced material business, selling thermoplastic elastomer (TPE) and applied materials, analyzing overall performance, and responsible for operation result.
Operations Division	Responsible for managing the production of plants, supervising the system operation of the supply chains, dedicating to maintaining the operational safety of plants, improving quality, maximizing production efficiency, and improving the competitiveness of products.
Research & Development Division	Developing own or introducing advanced technologies externally in cope with the long-term strategy of TSRC, which allows the product quality of TSRC and technology to reach international level, improves the overall competitiveness, and increases revenues to ensure the sustainability of TSRC.
Finance Division	Responsible for the stipulation of financial policy and accounting system, planning and managing funds, accounts, taxes, equities and financial of re-investing businesses, as well as assisting in the customer credit risk management of all business units. Meanwhile, responsible for the overall planning of the information service system of TSRC in order to improve the efficiency of operational management and decision-making.
Human Resources & Management Department	Planning and establishing human resources policy, drafting plans and budget for employee selection, recruitment, cultivation, retainment, and employee relations, as well as shaping organizational culture and promoting organizational management in order to fulfill the goal of the organization and operate effectively.
Legal Department	Responsible for legal management and providing legal support to ensure the interests of TSRC are not harmed.
Corporate Development Department	Stipulating the medium to long-term development strategy, integrating and allocating resources, supervising execution process of all projects, handling the promotion of corporate social responsibility and public relations.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

II. Information on Board of Directors and Presidents

<1> Information on Board of Directors (1)

Job title	Nationality or Place of registration	Name	Gender/ Age	Date of elected	Term of contract	Date of first elected	Shares held when elected		Shares currently held		Shares currently held by their spouses and children of minor age	
							Share(s)	%	Share(s)	%	Share(s)	%
Chairman	Republic of China	Wei-Dar Development Corporation Representative: Nita Ing	Female 61 ~ 70	August 4, 2021	3	July 27, 1985	53,708,923 0	6.50 -	53,708,923 0	6.50 -	0	-
Director	Republic of China	Wei-Dar Development Corporation Representative: Jing-Lung Huang	Male 61 ~ 70	August 4, 2021	3	June 21, 2018	53,708,923 0	6.50 -	53,708,923 0	6.50 -	0	-
Director	Republic of China	Han-De Construction Co., Ltd. Representative: Chin-Shan Chiang	Male 61 ~ 70	August 4, 2021	3	June 06, 2012	63,093,108 762	7.64 -	63,093,108 762	7.64 -	0	-
Director	Republic of China	Han-De Construction Co., Ltd. Representative: John T. Yu	Male 71 ~ 75	August 4, 2021	3	June 10, 2015	63,093,108 0	7.64 -	63,093,108 0	7.64 -	0	-
Independent Director	Republic of China	Robert Hung	Male 71 ~ 75	August 4, 2021	3	June 06, 2012	0	-	0	-	0	-
Independent Director	Republic of China	Sean Chao	Male 61 ~ 70	August 4, 2021	3	June 21, 2018	0	-	0	-	0	-
Independent Director	Republic of China	Rex Yang	Male 61 ~ 70	August 4, 2021	3	June 21, 2018	0	-	0	-	0	-

Note1 : relieved its office on January 17, 2022. * Note2 : relieved its office on January 19, 2022. Note3 : The relatives information of the chairman of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship.

Major shareholders of institutional shareholders

December 31, 2021

Institutional shareholders	Major institutional shareholders
Han-De Construction Co., Ltd.	Mao Shi Corporation (99.8%)
Wei-Dar Development Corporation	Mao Shi Corporation (99.8%)

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

December 31, 2021

Shares held through nominees		Principal work experience and Academic qualification	Position(s) currently held in the Company and/or in any other Company	Other officers, directors or supervisors who are their spouses or relatives of 2 nd degree of relationship			Note (Note 3)
Share(s)	%			Job title	Name	Relationship	
0	-	Bachelors' Degree in Department of Economics, University of California, Los Angeles Vice Chairman of TSRC Corporation Chairman of Taiwan High Speed Rail Corporation General Manager, Continental Engineering Corporation Director of Continent Development Company Director of American Bridge Holding Company	Chairman of Hao Ran Foundation Chairman of Continental Holdings Corporation. Chairman of Continent Engineering Company(Note1)	No	No	No	No
0	-	Bachelors' Degree in Department of Accounting, NCKU Chief Auditor, Taiwan High Speed Rail Corporation President, Suzhou Standard Food Corporation Chief Auditor, Philips Taiwan Affiliates Chief Financial Officer, Blue Bell Group, Hong Kong Chief Financial Officer, Getz Bros. & Co., Inc. Managing Director of Pan Asia Corp, Chairman of Han-De Construction Co., Ltd, Chairman of Wei-Dar Development Corporation Chairman of Xi Hui Corporation Chairman of Mao Shi Corporation	Director of Continent Engineering Company (Note1), Director of Continent Development Company(Note2), Director of Continental Holdings Corporation Director of CDC Commercial Development Corporation	No	No	No	No
0	-	Masters' Degree in Department of Public Administration, NCU Director of Taiwan High Speed Rail Corporation Senior Assistant GM, China Development Financial Senior Assistant GM, China Development Industrial Bank Assistant GM, Shanghai Mart Director of Wei-Dar Development Corporation, Director of Han-De Construction Co., Ltd.	Chairman, Metropolis Property Management Corporation Director of Hao Ran Foundation	No	No	No	No
0	-	Graduated from Advanced Management Class in Management Faculty, Harvard University, Bachelors' Degree in Department of Electrical Engineering, NTU Chairman of CTCI Corporation, General Manager, CTCI Corporation Director of TCC	President, CTCI Director of CTCI Corporation Chairman of Xing Li Development Company Director of CTCI Overseas Corporation Limited Director of CTCI Education Foundation Managing Director of CTCI Foundation Director, Dynamic Ever Investments Limited Director, Ever Victory Global Limited	No	No	No	No
0	-	Masters' Degree in Department of Economics, Illinois State University, USA , Independent Director of Wistron NeWeb Corporation Assistant GM, Bank of America Corporation Chief Financial Officer, Taiwan High Speed Rail Corporation Chairman, Young Green Energy Corporation	No	No	No	No	No
0	-	Masters' Degree in Department of Business Administration, University of Chicago, Bachelors' Degree in Department of Politics and International Relations, NTU Chief Executive Officer, Morgan Stanley Taiwan President, UBS Group in Taiwan Chairman, UBS Fund in Taiwan, Vice President, UBS (Taiwan)	Independent Director of Hann Star Corporation Independent Director, NAFCO	No	No	No	No
0	-	Bachelors' Degree in Department of Business Administration, Soochow University CFO, Continental Holdings Corporation Chairman, TEAPO Electronic Corp(now Kaimei Electronic Corp.) CFO/CSO, Yageo Corporation Chief of Finance, Far Eastern New Century Corporation	No	No	No	No	No

Major shareholders of major shareholders of institutional shareholders

December 31, 2021

Institutional shareholders	Major institutional shareholders
Mao Shi Corporation	Jade Fortune Enterprises Inc.(100%)

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

I. Company's organization

II. Information on Board of Directors and Presidents

III. The remuneration of directors and major managers

IV. Status of corporate governance implementation

V. Information regarding TSRC's audit fees

VI. Information on replacement of CPA

VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies

VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements

IX. Disclosure of Interrelationship among top 10 largest shareholders

X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Disclosure of Directors' Professional Qualification and the Independent Status of Independent Directors

Condition	Professional Qualification and Experience	Independent Status	Number of Public Companies in which the Director is Concurrently An Independent Director
Name			
Chairman Nita Ing	<ul style="list-style-type: none">The Director possesses professional backgrounds related to business, finance, investment holding, and construction, and over 30 years of experiences in business management; currently, the Director is also the chairman of Continental Holdings Corporation and the chairman of Hao Ran Foundation; she was previously the chairman of Continental Engineering Company and Taiwan High Speed Rail Corporation.There is no circumstance stated in Article 30 of the Company Act.	<ul style="list-style-type: none">The Director, its spouse, or any relative of 2nd degree of relationship is not an employee of the Company or its affiliates.The Director, its spouse, or minor child(or in other's name) is not a natural person shareholder who hold 1% of the total issued shares of the Company or above or has the top 10 shareholding.The Director is not a director, supervisor, managerial officer, or shareholder with 5% of shareholding or above of particular companies or institutions possessing financial or business dealings with the Company.The Director has not obtained compensation for the provision of business, legal, financial, or accounting services to the Company or its affiliate in the most recent two years.The Director is not a spouse or a relative of the 2nd degree of relationship with any other directors.	No
Director Jing-Lung Huang	<ul style="list-style-type: none">The Director possesses professional backgrounds related to business, finance, and accounting, and over 20 years of experiences in financial and corporate operation audit; currently, the Director is also the director of Continental Holdings Corporation; he was previously the comptroller of Taiwan High Speed Rail Corporation, president of Suzhou Standard Food Corporation, and the comptroller of Philips Taiwan Affiliates.There is no circumstance stated in Article 30 of the Company Act.	<ul style="list-style-type: none">The Director, its spouse, or any relative of 2nd degree of relationship is not an employee of the Company or its affiliates.The Director, its spouse, or minor child(or in other's name) is not a natural person shareholder who hold 1% of the total issued shares of the Company or above or has the top 10 shareholding.The Director is not a director, supervisor, managerial officer, or shareholder with 5% of shareholding or above of particular companies or institutions possessing financial or business dealings with the Company.The Director has not obtained compensation for the provision of business, legal, financial, or accounting services to the Company or its affiliate in the most recent two years.The Director is not a spouse or a relative of the 2nd degree of relationship with any other directors.	No
Director Chin-Shan Chiang	<ul style="list-style-type: none">The Director possesses professional backgrounds related to business, finance, and public relations, and over 20 years of experiences in public affairs, strategical marketing, and management; currently, the Director is also the director of Hao Ran Foundation and the chairman of Metropolis Property Management Corporation; he was previously the director of Taiwan High Speed Rail Corporation, and used to provide services as the management of financial institutions.There is no circumstance stated in Article 30 of the Company Act.	<ul style="list-style-type: none">The Director, its spouse, or any relative of 2nd degree of relationship is not an employee of the Company or its affiliates.The Director, its spouse, or minor child(or in other's name) is not a natural person shareholder who hold 1% of the total issued shares of the Company or above or has the top 10 shareholding.The Director is not a director, supervisor, or employee of other companies with more than half of Directors or number of shares with voting rights being controlled by the same person.The Director is not a director, supervisor, managerial officer, or shareholder with 5% of shareholding or above of particular companies or institutions possessing financial or business dealings with the Company.The Director has not obtained compensation for the provision of business, legal, financial, or accounting services to the Company or its affiliate in the most recent two years.The Director is not a spouse or a relative of the 2nd degree of relationship with any other directors.	No
Director John T. Yu	<ul style="list-style-type: none">The Director possesses professional backgrounds related to business and electrical engineering, and over 30 years of experiences in engineering design, construction, and management; due to his outstanding business management performances, he received the highest honor of "Technology Management Award" from the Chinese Society for Management Of Technology; currently, the Director is also the president of CTCL Corporation, director of CTCL Corporation, and director of multiple investees of CTCL; he is the key figure who leads CTCL Group to the international stage.There is no circumstance stated in Article 30 of the Company Act.	<ul style="list-style-type: none">The Independent Director, its spouse, or any relative of 2nd degree of relationship is not a director, supervisor, or employee of the Company or its affiliates.The Director, its spouse, or minor child(or in other's name) is not a natural person shareholder who hold 1% of the total issued shares of the Company or above or has the top 10 shareholding.The Director is not a director, supervisor, or employee of other companies with more than half of Directors or number of shares with voting rights being controlled by the same person.The Director is not a director, supervisor, managerial officer, or shareholder with 5% of shareholding or above of particular companies or institutions possessing financial or business dealings with the Company.The Director has not obtained compensation for the provision of business, legal, financial, or accounting services to the Company or its affiliate in the most recent two years.The Director is not a spouse or a relative of the 2nd degree of relationship with any other directors.	No
Independent Director Robert Hung	<ul style="list-style-type: none">The Independent Director possesses professional backgrounds related to business and finance, and over 30 years of extensive experiences in finance and economics; he possesses in-depth understanding regarding relevant industrial trends and the development of international finance and economics; he was previously the independent director of Wistron NeWeb Corporation, assistant GM of Bank of America Corporation, chairman of Young Green Energy Corporation, and CFO of Taiwan High Speed Rail Corporation.There is no circumstance stated in Article 30 of the Company Act.	<ul style="list-style-type: none">The Independent Director complies with the independence stated in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.No government, corporate, or its representative stated in Article 27 of the Company Act was elected.The Independent Director, its spouse, or any relative of 2nd degree of relationship is not a director, supervisor, or employee of the Company or its affiliates.The Independent Director, its spouse, or any relative of 2nd degree of relationship is not a director, supervisor, or employee of any affiliate or companies having particular relationships with the Company.The Independent Director, its spouse, or any relative of 2nd degree of relationship does not hold any share of the Company.The Independent Director has not obtained compensation for the provision of business, legal, financial, or accounting services to the Company or its affiliate in the most recent two years.The Independent Director is not a spouse or a relative of 2nd degree of relationship of any other Directors.	No
Independent Director Sean Chao	<ul style="list-style-type: none">The Independent Director possesses professional backgrounds related to business and finance, and over 20 years of experiences; he is familiar with professional fields ranging from investment banking, asset management, and private banking; he currently is also the independent director of HannStar Display Corporation and NAFCO, he was previously the CEO of Morgan Stanley Taiwan, president of UBS Group in Taiwan, and chairman of UBS Fund in Taiwan.There is no circumstance stated in Article 30 of the Company Act.	<ul style="list-style-type: none">The Independent Director complies with the independence stated in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.No government, corporate, or its representative stated in Article 27 of the Company Act was elected.The Independent Director, its spouse, or any relative of 2nd degree of relationship is not a director, supervisor, or employee of the Company or its affiliates.The Independent Director, its spouse, or any relative of 2nd degree of relationship is not a director, supervisor, or employee of any affiliate or companies having particular relationships with the Company.The Independent Director, its spouse, or any relative of 2nd degree of relationship does not hold any share of the Company.The Independent Director has not obtained compensation for the provision of business, legal, financial, or accounting services to the Company or its affiliate in the most recent two years.	2

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Condition Name	Professional Qualification and Experience	Independent Status	Number of Public Companies in which the Director is Concurrently An Independent Director
		<ul style="list-style-type: none"> The Independent Director is not a spouse or a relative of 2nd degree of relationship of any other Directors. 	
Independent Director Rex Yang	<ul style="list-style-type: none"> The Independent Director possesses professional backgrounds related to business and finance, and over 20 years of experiences in finance and management; he was previously the CFO of Continental Holdings Corporation, CFO of Yageo Corporation, and chairman of TEAPO Electronic Corporation. There is no circumstance stated in Article 30 of the Company Act. 	<ul style="list-style-type: none"> The Independent Director complies with the independence stated in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. No government, corporate, or its representative stated in Article 27 of the Company Act was elected. The Independent Director, its spouse, or any relative of 2nd degree of relationship is not a director, supervisor, or employee of the Company of its affiliates. The Independent Director, its spouse, or any relative of 2nd degree of relationship is not a director, supervisor, or employee of any affiliate or companies having particular relationships with the Company. The Independent Director, its spouse, or any relative of 2nd degree of relationship does not hold any share of the Company. The Independent Director has not obtained compensation for the provision of business, legal, financial, or accounting services to the Company or its affiliate in the most recent two years. The Independent Director is not a spouse or a relative of 2nd degree of relationship of any other Directors. 	No

Board Diversity

The Company introduces the idea of diversity in its "Corporate Governance Best Practice Principles." Members of the Board shall possess knowledge, experiences, and abilities required for the execution of their duties; furthermore, the composition of the Board shall possess diversity and comply with laws and regulations, with reference to the characteristic, operations, market, and future development requirements of the Company. The Board shall, in general, possess the abilities of making business judgments, accounting and financial analysis, business management, emergency management, as well as industrial knowledge, and leadership, decision-making capacity, and international vision required for cross-nation operations.

The Board of the Company comprises seven Directors, including one female Director (accounting for 14%) and three Independent Directors (accounting for 43%); two of the Independent Directors have been re-appointed for two sessions, and one of the Independent Directors have been re-appointed for three sessions; however, as the Independent Director possesses extensive financial backgrounds and industrial experiences that are significantly beneficial for the future business development of the Company. In addition, there is no Director who is concurrently a managerial officer of the Company.

Members of the Board are from different fields of expertise, used to be the senior management in international enterprises, and possess knowledge, skills, leadership and decision-making capacity, and international market vision; abilities of members of the Board, in general, comply with the diversity policy and the requirements of the Company's future business development; relevant implementation status is as follows:

Diversity Item Name	Term of Office as An Independent Director		Professional Background	Industrial Experiences and Abilities									
	4~6 Years	7~9 Years		Legal Compliance	Finance	Business	Engineering and Construction	Operational Judgment	Financial Analysis	Business Management	Emergency Management	Leadership and Decision-making	International Market Vision
Chairman Nita Ing	-	-	Economics	-	-	√	√	√	√	√	√	√	√
Director Jing-Lung Huang	-	-	Public Administration	√	-	√	-	√	√	√	√	√	√
Director Chin-Shan Chiang	-	-	Accounting	√	-	√	-	√	√	√	√	√	√
Director John T. Yu	-	-	Business Management	-	-	√	√	√	√	√	√	√	√
Independent Director Robert Hung	-	√	Economics	-	√	√	-	√	√	√	√	√	√
Independent Director Sean Chao	√	-	Business Management	-	√	√	-	√	√	√	√	√	√
Independent Director Rex Yang	√	-	Business Management	-	-	√	-	√	√	√	√	√	√

Independence of the Board

The Board comprises seven Directors, including three Independent Directors (accounting for 43%); the Directors are not the employees of the Company or its affiliates, and no Director is a spouse or a relative of the 2nd degree relationship with another Director; there is no circumstance stated in paragraphs 3 and 4, Article 26-3 of the Securities Exchange Act; the Board, in general, is independent.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<2> Information on presidents

Job title	Nationality	Name	Gender	Date of elected	Shares currently held		Shares currently held by their spouses and children of minor age		Shares held through nominees	
					Share(s)	%	Share(s)	%	Share(s)	%
CEO	Singapore	Joseph Chai	Male	November 01, 2015	0	-	0	-	65,000	-
Sr. Vice President Advanced Materials Division	Canada	Wing-Keung Hendrick Lam	Male	July 16, 2004	0	-	0	-	0	-
Vice President Finance Division	Republic of China	Edward Wang	Male	June 01, 2016	0	-	0	-	0	-
Vice President Research & Development Division	USA	Qiwei Lu	Male	April 01, 2016	0	-	0	-	0	-
Vice President Synthetic Rubber Division	Republic of China	Kevin Liu	Male	June 01, 2016	0	-	0	-	0	-
Vice President Operations Division	Republic of China	Chi-Wei Hsu	Male	January 01, 2020	0	-	0	-	0	-
Human Resources & Management Department Vice President	Republic of China	De-Bei Wang	Female	January 01, 2021	0	-	0	-	0	-
Corporate Governance Officer	Republic of China	Chao-Cheng Tsai	Male	March 12, 2021	0	-	0	-	0	-

Note: Whether the general manager or one in equivalent position is the same person as the chairman, the spouse of the chairman, or the first-degree relative of the chairman.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

December 31, 2021

Principal work experience and Academic qualification	Position(s) currently held in the Company and/or in any other Company	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship			Note
		Position	Name	Relationship	
Lubrizol Corporation Deputy Vice President of Asia Pacific/ MBA, Case Western Reserve University, USA	Directors of Polybus Corporation. Pte Ltd., TSRC (Hong Kong) Limited, Trimurti Holding Corporation., Hardison International Corporation., Dymas Corporation., Triton International Holdings Corporation.	No	No	No	No
Financial Officers of Pacific Industrial Co., Ltd., Assistant Vice President of First Pacific Co. Ltd. and Shau Kei Wan Industrial School, Hong Kong	Chairman of TSRC(Nantong) Industrial Ltd. and TSRC(Shanghai) Industrial Ltd., TSRC(Vietnam)Co., Ltd.; Directors of TSRC (USA) Investment Corporation., TSRC Specialty Materials LLC., Trimurti Holding Corporation., Hardison International Corporation., TSRC (Hong Kong) Limited., Dymas Corporation., Polybus Corporation Pte Ltd., TSRC (Lux.) Corporation S.à r.l., Asia Pacific Energy Development Company Limited.	No	No	No	No
Chief Financial Officer, HTC / Master of Business, Administration, Tunghai University	Directors of Shen Hua Chemical Industrial Ltd., Polybus Corporation Pte Ltd., Trimurti Holding Corporation., Triton International Holdings Corporation., TSRC (Hong Kong) Limited., TSRC (USA) Investment Corporation., TSRC Specialty Materials LLC., TSRC (Lux.) Corporation S.à r.l., Indian Synthetic Rubber Private Limited., Asia Pacific Energy Development Company Limited.; Supervisors of TSRC(Nantong) Industrial Ltd., TSRC (Shanghai) Industrial Ltd., ARLANXEO- TSRC(Nantong) Chemical Industrial Co., Ltd., TSRC (Vietnam) Co., Ltd.	No	No	No	No
Global Strategic Technology Officer, Lubrizol / Doctor in Material Science and Engineering, University of Minnesota	None	No	No	No	No
Manager, Sales and Marketing, Department, Asst. Vice President Rubber Business Unit, TSRC. Spokesperson and Assistant Vice President, Sales Department, China Synthetic Rubber Corp., and MSA, Cambridge College, USA	Chairman of Shen Hua Chemical Industrial Ltd., TSRC-UBE (Nantong) Chemical Industrial Co. Ltd.,; Director of Indian Synthetic Rubber Private Ltd., Thai Synthetic Rubbers Co., Ltd., Shen Hua Chemical Industrial Ltd., ARLANXEO- TSRC(Nantong) Chemical Industrial Co., Ltd., Thai Synthetic Rubbers Co., Ltd., Nantong Qix Storage Co., Ltd.	No	No	No	No
Asia Operations Director, Elementis Group Plant Manager, Deuchem Co., Ltd. Department of Chemical Engineering, National Taiwan University of Science and Technology	Directors of Shen Hua Chemical Industrial Ltd., TSRC(Nantong) Industrial Ltd., TSRC (USA) Investment Corporation, TSRC (Lux.) Corporation S.à r.l.	No	No	No	No
Chief of human resources of Sandleford Limited (Ireland) in Asia and manager of human resources of Corning Display Technologies Taiwan Co, Ltd. EMBA, National Taiwan University	None	No	No	No	No
Chief of legal affairs of Glaxosmithkline Far East B.V., Taiwan Branch (Netherlands), senior lawyer of Eiger Law, deputy director of Mediatek Inc., legal affair manager of Mosel Vitelic Inc., reorganizer of Chinese Automobile Company, and partner of WTW-Taipei Commercial Law Firm, Practising lawyer in the Republic of China, Graduated from the College of Law, National Taiwan University	Corporate governance officer of Continental Holdings Corporation	No	No	No	No

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

III. The remuneration of directors and major managers

<1> Directors' remuneration

Job title	Name	Directors remuneration(Note 1)							
		Base compensation (A)		Severance pay and pensions (B)		Remuneration to directors (C)		Business execution expenses(D)	
		The Company	Companies in Financial Report	The Company	Companies in Financial Report	The Company	Companies in Financial Report	The Company	Companies in Financial Report
Chairman	Wei-Dar Development Co.,Ltd. Representative:Nita Ing								
Director	Wei-Dar Development Co.,Ltd. Representative:Jing-Lung Huang								
Director	Han-De Construction Co., Ltd. Representative:Jing-Lung Huang(Note2)	9,159	9,159	0	0	12,958	12,958	0	0
Director	Han-De Construction Co., Ltd. Representative: Chin-Shan Chiang								
Director	Han-De Construction Co., Ltd. Representative:John T. Yu								
Independent Director	Robert Hung								
Independent Director	Sean Chao	6,769	6,769	0	0	9,719	9,719	1,000	1,000
Independent Director	Rex Yang								

Note1 : Independent Directors of the Company are members of the Audit Committee and Remuneration Committee; apart from duties assumed by Independent Directors, the level of participation, number of meetings each year, and extra time invested are also considered for the payment of remunerations, and reasonable compensations are provided based on the Company's business performance and the general standards within the industry.

Note2 : A general re-election took place at the annual shareholders' meeting in 2021; the representative of the corporate Director was relieved its office on August 4, 2021.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Unit: thousand NTD

Percentage of the total of A, B, C and D accounting for income after tax		Relevant remuneration received by directors who are also employees								Percentage of total of A, B, C, D, E, F and G accounting for income after tax		Compensation paid to directors from non-consolidated affiliates
		Salary, bonus and special allowance(E)		Severance pay and pensions (F)		Employees' earnings (G)						
The Company	Companies in Financial Report	The Company	Companies in Financial Report	The Company	Companies in Financial Report	The Company		Companies in Financial Report		The Company	Companies in Financial Report	
						Cash	Stock	Cash	Stock			
22,117 /0.56	22,117 /0.56	0	0	0	0	0	0	0	0	22,117 /0.56	22,117 /0.56	0
17,488 /0.44	17,488 /0.44	0	0	0	0	0	0	0	0	17,488 /0.44	17,488 /0.44	0

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Remuneration paid to the various directors	Name of directors			
	Total (A+B+C+D)		Total (A+B+C+D+E+F+G)	
	The Company	Companies in Financial Report	The Company	Companies in Financial Report
1,000,000 below	Chin-Shan Chiang, John T. Yu, Jing-Lung Huang	Please refer to the left column.	Chin-Shan Chiang, John T. Yu, Jing-Lung Huang	Please refer to the left column.
1,000,000 (inclusive of 1,000,000)-2,000,000(does not contain 2,000,000)	-	-	-	-
2,000,000 (inclusive of 2,000,000)-3,500,000(does not contain 3,500,000)	-	-	-	-
3,500,000 (inclusive of 3,500,000)-10,000,000(does not contain 5,000,000)	Wei-Dar Development Co., Ltd.	Please refer to the left column.	Wei-Dar Development Co., Ltd.	Please refer to the left column.
5,000,000 (inclusive of 5,000,000)-10,000,000(does not contain 10,000,000)	Nita Ing, Robert Hung, Rex Yang, Sean Chao, Han-De Construction Co., Ltd.	Please refer to the left column.	Nita Ing, Robert Hung, Rex Yang, Sean Chao, Han-De Construction Co., Ltd.	Please refer to the left column.
10,000,000 (inclusive of 10,000,000)-15,000,000(does not contain 15,000,000)	-	-	-	-
15,000,000 (inclusive of 15,000,000)-30,000,000(does not contain 30,000,000)	-	-	-	-
30,000,000 (inclusive of 30,000,000)-50,000,000(does not contain 50,000,000)	-	-	-	-
50,000,000 (inclusive of 50,000,000)-100,000,000(does not contain 100,000,000)	-	-	-	-
100,000,000 above	-	-	-	-

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<2> Presidents' and vice presidents' remuneration

Unit: thousand NTD

Job title	Name	Salary(A)		Severance pay and pensions (B)		Bonus and special allowance(C)		Employees' compensation amount (D)				Percentage of the total of A, B, C and D accounting for income after tax (%)		Compensation paid to directors from non-consolidated affiliates
		The Company	Companies in Financial Report	The Company	Companies in Financial Report	The Company	Companies in Financial Report	The Company		Companies in Financial Report		The Company	Companies in Financial Report	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
CEO	Joseph Chai (Note1)													
Sr. Vice President	Wing-Keung Hendrick Lam													
Vice President	Kevin Liu													
Vice President	Qiwei Lu													
Vice President	Edward Wang	44,165	44,165	0	0	33,797	33,797	14,234	0	14,234	0	92,196 /2.35	92,196 /2.35	0
Vice President	Chi-Wei Hsu													
Vice President	De-Bei Wang													
Corporate Governance Officer	Chao-Cheng Tsai (Note2)													

Note1 : One leased vehicle and one driver assigned to the CEO. The yearly rent for the leased vehicle is NTD 513 thousand and the remuneration paid to the driver is NTD 610 thousand and rental housing costs NTD 2,640 thousand.

Note2 : March 12, 2022 Head of Corporate Governance.

Remuneration paid to the president and vice presidents	Name of president and vice presidents	
	The Company	Companies in Financial Report
1,000,000 below	-	-
1,000,000 (inclusive of 1,000,000)-2,000,000(does not contain 2,000,000)	Chao-Cheng Tsai	Chao-Cheng Tsai
2,000,000 (inclusive of 2,000,000)-3,500,000(does not contain 3,500,000)	-	-
3,500,000 (inclusive of 3,500,000)-5,000,000(does not contain 5,000,000)	-	-
5,000,000 (inclusive of 5,000,000)-10,000,000(does not contain 10,000,000)	De-Bei Wang、Kevin Liu, Qiwei Lu	De-Bei Wang、Kevin Liu, Qiwei Lu
10,000,000 (inclusive of 10,000,000)-15,000,000(does not contain 15,000,000)	Edward Wang, Wing-Keung Hendrick Lam, Chi-Wei Hsu	Edward Wang, Wing-Keung Hendrick Lam, Chi-Wei Hsu
15,000,000 (inclusive of 15,000,000)-30,000,000(does not contain 30,000,000)	-	-

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Remuneration paid to the president and vice presidents	Name of president and vice presidents	
	The Company	Companies in Financial Report
30,000,000 (inclusive of 30,000,000)-50,000,000(does not contain 50,000,000)	Joseph Chai	Joseph Chai
50,000,000 (inclusive of 50,000,000)-100,000,000(does not contain 100,000,000)	-	-
100,000,000 above	-	-

Bonus paid to management team and allocation

December 31, 2021

	Job title	Name	Stock	Cash (NTD in thousands)	Total (NTD in thousands)	Percentage of the total income after tax (%)
Managers	CEO	Joseph Chai	0	14,234	14,234	0.36
	Sr. Vice President	Wing-Keung Hendrick Lam				
	Vice President	Qiwei Lu				
	Vice President	Edward Wang				
	Vice President	Kevin Liu				
	Vice President	Chi-Wei Hsu				
	Vice President	De-Bei Wang				
	Corporate Governance Officer	Chao-Cheng Tsai				

<4> The total remuneration as a percentage of net income paid by the Company, and by each Companies included in the consolidated financial statements, during the past two fiscal years to its directors, supervisors, president and vice presidents and describe the remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. Remuneration paid in the most recent two years

Unit: thousand NTD

Job title	The Company		Companies in Financial Report	
	2021	2020	2021	2020
Director remuneration	39,605	17,016	39,605	17,016
Director remuneration percentage of net income after taxes(%)	1.01	(77.73)	1.01	(77.73)
CEO and vice president	92,196	76,449	92,196	76,449
CEO and vice president remuneration percentage of net income after taxes(%)	2.35	(349.23)	2.35	(349.23)

2. Remuneration policies, standards, and packages for its Directors, CEO, and Vice Presidents, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure are as follows:

- (1)The remuneration for the Board of Directors shall, subject to the provisions of the Company's Articles of Incorporation. Such remuneration shall be determined by the Board of Directors in accordance with the participation and contribution of the Directors to the Company's operations and with reference to industry standards; the remuneration for the Directors shall be based on the Company's profitability up to 1% and shall be approved by the Board of Directors.
- (2)The remuneration for Vice Presidents and above is based on competitive salary levels, and is approved in accordance with the Company's Business Authority Regulations after considering the overall operational performance of the industry and the Company, individual performance and contribution, and future risks.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

IV. Status of corporate governance implementation

<1> Operation of the board of directors

Board of Directors held 9 meetings in 2021. The attendance of directors in the meetings is specified as follows:

Job title	Name	Frequency of actual attendance	Frequency of proxy attendance	Actual attendance rate (%)	Remark
Chairman	Wei-Dar Development Co., Ltd. Representative: Nita Ing	9	0	100	Re-appointed
Director	Wei-Dar Development Co., Ltd. Representative: Jing- Lung Huang	4	0	100	Newly elected
Director	Han-De Construction Co., Ltd. Representative: Jing- Lung Huang	5	0	100	Formerly elected
Director	Han-De Construction Co., Ltd. Representative: Chin-Shan Chiang	9	0	100	Re-appointed
Director	Han-De Construction Co., Ltd. Representative: John T. Yu	9	0	100	Re-appointed
Independent Director	Robert Hung	9	0	100	Re-appointed
Independent Director	Sean Chao	9	0	100	Re-appointed
Independent Director	Rex Yang	9	0	100	Re-appointed

Four Board meetings were convened since the re-election of the 17th Board on August 4, 2021.

Other matters to be recorded:

1. Provisions of Article 14-3 of Securities and Exchange Act

Date of Meeting	Name of Meeting	Resolutions under Article 14-3 of the Securities Exchange Act	Resolution Results and Measures Adopted to Address the Opinions of Independent Directors
March 11, 2021	21 st meeting of the 16 th Board	1. To dispose of the lands and buildings located at Chu yuen Section, Renwu Dist., Kaohsiung. 2. To release the non-competition restrictions for the 17 th Board of Directors of the Company. 3. To discuss the 2020 remuneration of the Directors of the Company.	1. All directors were present and the resolution was approved. 2. Independent Directors expressed no opinion
May 6, 2021	22 nd meeting of the 16 th Board	1. To discuss the capital increase in cash of subsidiary TSRC (Vietnam) Co., Ltd.	
August 3, 2021	24 th meeting of the 16 th Board	1. To provide guarantee for the loan agreement of TSRC (USA) Investment Corporation.	
October 12, 2021	2 nd meeting of the 17 th Board	1. To discuss the plant relocation of the subsidiary Shen Hua Chemical Industries Co., Ltd.	
November 4, 2021	3 rd meeting of the 17 th Board	1. To appoint a certified public accountant for the certification of the 2022 financial statements. 2. To provide guarantee for the loan agreement between the subsidiary TSRC (Vietnam) Company Limited and the bank. 3. To provide the guarantee for the financing and foreign exchange credit with banks for investee ARLANXEO-TSRC (Nantong) Chemical Industrial Co., Ltd. 4. To discuss the change in the Company's chief accountant	

2. In addition to the previous events, other resolutions made by the Board of Directors that the Independent Directors opposed or reserved with a record or written statement: There were no resolutions that the Independent Directors opposed or reserved in 2021.
3. Implementation of Director's recusal of interest resolutions (the name of Director, resolution, reason of such recusals, and the participation in voting shall be described):

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

In 2021, none of the Directors has any interest in the resolutions that required their recusal.

<2> Implementation status of the Board of Directors' Self Evaluation:

1. The self-evaluation was performed according to the "Self-Evaluation or Peer Evaluation of the Board of Directors" established after been approved at the 19th meeting of the 16th Board in 2020. To the results of the evaluation of the Board in 2021, please refer to the "(III) Implementation status of corporate governance, Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof" on page 27 of the annual report.

Cycle	Period	Scope	Method	Content
Once a year	January 1, 2021 ~ December 31, 2021	<ul style="list-style-type: none">· Board of Directors· Functional Committees	Self-evaluation of the Board	<ul style="list-style-type: none">· Evaluation of the Board:<ol style="list-style-type: none">1. Level of participation in the Company's operations2. Improvement of the Board's decision-making quality3. Awareness of the Board's composition and duties4. Election of Board members and continual education5. Internal control· Evaluation of functional committees:<ol style="list-style-type: none">1. Level of participation in the Company's operations2. Improvement of the functional committee's decision-making quality3. Awareness of the functional committee's composition and duties4. Election of functional committee members and continual education5. Internal control
		Individual Board member	Self-evaluation of Board members	<ul style="list-style-type: none">· Self-Evaluation of the individual board director:<ol style="list-style-type: none">1. Control over the Company's objectives and tasks.2. Understanding the responsibilities of the Board of Directors.3. Participation in the Company's operations.4. Management and communication of the internal relationship.5. Directors' professional and continuous training6. Internal control.

2. The current and most recent year's objectives and implementation status for enhancing the Board of Directors' functions:
 - (1) The Board of the Company convenes meetings and performs discussions and resolution-making according to the Company Act and the Securities Exchange Act, as well as standards announced by the competent authority. To reinforce the functions of the Company's Board and improve the supervising function, the Company established its Audit Committee and Remuneration Committee according to laws and regulations; functional committees assist the Board in reinforcing corporate governance and supervisory duties based on their function.
 - (2) To continue improving the functions of the Board and the operation of corporate governance, the Board approved the "Corporate Governance Best Practice Principles," "Ethical Corporate Management Best Practice Principles," "Risk Management Policy," and "Regulations for Conflicts of Interests Management" in 2021, and the Company has duly observed such regulations.
 - (3) Article 21 of the Company's "Corporate Governance Best Practice Principles" states the idea of Board diversity, where members of the Board shall possess knowledge, experiences, and abilities required for the execution of their duties with reference to the business characteristics, operations, and future development requirements of the Company; for the policy related to the abilities of all Board members in compliance with diversity and the requirements of the Company's future development, please refer to "Board Diversity" on page 13 of the annual report.
 - (4) Based on the "Self-Evaluation or Peer Evaluation of the Board of Directors," the Company carried out the evaluations of the Board, functional committees, and individual Board members at the beginning of 2022 to enhance the functions of the Board by adopting opinions and recommendations provided by Directors as the basis for examination and improvement; the results of such evaluations were submitted to the Board for report.
 - (5) The Company set up its Corporate Governance Officer for relevant corporate governance affairs according to the requirements in 2021.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<3> Operation of the Audit Committee

1. There are 3 members in the audit committee of this Company.
2. The Audit Committee convened a total of 8(A) meetings in 2021. The presence and attendance of the Independent Directors is as follows:

Job title	Name	Frequency of actual attendance(B)	Frequency of proxy attendance	Actual attendance rate (%) (B/A)	Remark
Independent Director	Robert Hung	8	0	100	Re-appointed
Independent Director	Rex Yang	8	0	100	Re-appointed
Independent Director	Sean Chao	8	0	100	Re-appointed

Three meetings were convened after the re-election of the 17th Audit Committee on August 4, 2021.

3. The highlight of the Audit Committee in 2021 is summarized as follows:
 - (1) To review the 2020 business report, financial report and earnings distribution.
 - (2) To review the financial reports for the 1st to 3rd quarters of 2021.
 - (3) To review the provision of guarantees of the Company.
 - (4) To appoint a certified public accountant for the certification of the 2022 financial statements.
 - (5) To review the budget for 2022.
 - (6) To review the 2022 audit plan.

Other matters that require reporting:

1. The matters listed in Article 14-5 of the Securities and Exchange Act:

Date of Meeting	Name of Meeting	Resolutions under Article 14-3 of the Securities Exchange Act	Resolution Result of the Audit Committee Meeting and the Implementation
March 4, 2021	17 th meeting of the 16 th Audit Committee	<ol style="list-style-type: none">1. To propose the 2020 Declaration of Internal Control System2. To propose the Company's 2020 earnings distribution.3. To propose the Company's 2020 earnings distribution.4. To dispose of the lands and buildings located at Chu yuen Section, Renwu Dist., Kaohsiung	All members of the Audit Committee attended the meeting completed the review and submitted the proposal to the Board for discussion.
March 11, 2021	18 th meeting of the 16 th Audit Committee	<ol style="list-style-type: none">1. To release the non-competition restrictions for the 17th Board of Directors of the Company	All members of the Audit Committee attended the meeting completed the review and submitted the proposal to the Board for discussion.
April 29, 2021	19 th meeting of the 16 th Audit Committee	<ol style="list-style-type: none">1. To discuss the capital increase in cash of subsidiary TSRC (Vietnam) Co., Ltd.2. To propose the Q1 consolidated financial statements of the Company in 2021	All members of the Audit Committee attended the meeting completed the review and submitted the proposal to the Board for discussion.
July 29, 2021	20 th meeting of the 16 th Audit Committee	<ol style="list-style-type: none">1. To propose the Q2 consolidated financial statements of the Company in 20212. To provide guarantee for the loan agreement of TSRC (USA) Investment Corporation	All members of the Audit Committee attended the meeting completed the review and submitted the proposal to the Board for discussion.
October 6, 2021	1 st meeting of the 17 th Audit Committee	<ol style="list-style-type: none">1. To discuss the plant relocation of the subsidiary Shen Hua Chemical Industrial Co., Ltd.	All members of the Audit Committee attended the meeting completed the review and submitted the proposal to the Board for discussion.
October 28, 2021	2 nd meeting of the 17 th Audit Committee	<ol style="list-style-type: none">1. To propose the Q3 consolidated financial statements of the Company in 2021.2. To appoint a certified public accountant for the certification of the 2022 financial statements.3. To provide guarantee for the loan agreement between the subsidiary TSRC (Vietnam) Company Limited and the bank.4. To provide the guarantee for the financing and foreign exchange credit with banks for investing ARLANXEO-TSRC (Nantong) Chemical Industrial Co., Ltd.5. To discuss the change in the Company's chief accountant.	All members of the Audit Committee attended the meeting completed the review and submitted the proposal to the Board for discussion.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Date of Meeting	Name of Meeting	Resolutions under Article 14-3 of the Securities Exchange Act	Resolution Result of the Audit Committee Meeting and the Implementation
November 25, 2021	3 rd meeting of the 17 th Audit Committee	1. To propose the 2022 audit plan	All members of the Audit Committee attended the meeting completed the review and submitted the proposal to the Board for discussion.

2. Except for the above-mentioned matters, other matters not approved by the Audit Committee but received consent from more than two-thirds of the Directors: No such circumstances in 2021.
3. For the recusal of Independent Directors regarding resolutions of interests, please describe the name of the Independent Director, resolution, the reason for recusal due to conflict of interest, and the participation in voting: There was no Independent Director required to recuse themselves for the conflict of interest with the resolution in 2021.
4. The communication among the Independent Directors, the internal audit director and the accountant:
 - (1) Internal auditing officers submit various internal audit reports to independent directors, attending the audit committee and board meetings to report on internal auditing.
 - (2) The internal auditing officer shall at least submit an audit report to the Independent Directors once every one to two months and respond to their questions, and communicate with Independent Directors directly via e-mails or meetings according to the business requirements.
 - (3) The Company's CPA will report auditing or review results for the annual and quarterly financial statements as well as updates to related laws and regulations during the audit committee meetings
 - (4) Communications between Independent Directors and Internal Auditing Officers in 2021:

Date	Method	Main Issue	Results
January 27, 2021	audit committee	Recent Audit Office report	Agreed and acknowledged by all members of the Audit Committee attended, and submitted to the Board for report.
March 4, 2021	audit committee	2020 Declaration of Internal Control System	Agreed and acknowledged by all members of the Audit Committee attended, and submitted to the Board for approval.
April 29, 2021	audit committee	Recent Audit Office report	Agreed and acknowledged by all members of the Audit Committee attended, and submitted to the Board for report.
July 29, 2021	audit committee	Recent Audit Office report	Agreed and acknowledged by all members of the Audit Committee attended, and submitted to the Board for report.
October 28, 2021	audit committee	Recent Audit Office report	Agreed and acknowledged by all members of the Audit Committee attended, and submitted to the Board for report.
November 25, 2021	audit committee	Recent Audit Office report 2022 annual auditing plan	1. The Recent Audit Office Report was agreed and acknowledged by all members of the Audit Committee attended, and submitted to the Board for a report. 2. The 2022 annual audit plan was agreed and acknowledged by all members of the Audit Committee attended, and submitted to the Board for approval.

(5) Summary of Communications between Independent Directors and CPAs in 2021:

Date	Method	Main Issue	Results
March 4, 2021	audit committee	1. Description of the audit on 2020 business report and financial statements 2. Description of key audit matters 3. Matters concerned by the competent authority and material laws and regulations	Agreed and acknowledged by all members of the Audit Committee attended, and submitted to the Board for approval.
April 29, 2021	audit committee	1. First quarterly financial report in 2021. 2. Updates on important regulations	Agreed and acknowledged by all members of the Audit Committee attended, and submitted to the Board for approval.
July 29, 2021	audit committee	1. Second quarterly financial report in 2021. 2. Updates on important regulations	Agreed and acknowledged by all members of the Audit Committee attended, and submitted to the Board for approval.
October 28, 2021	audit committee	1. Third quarterly financial report in 2021. 2. Updates on important regulations	Agreed and acknowledged by all members of the Audit Committee attended, and submitted to the Board for approval.

Independent Directors held no dissenting or qualified opinion regarding the above mentioned matters.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC' s audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<3> Status of implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for any departure

Assessment Items	Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Abstract Description	
I. Has the Company abided by the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" to formulate and disclose the corporate governance best practice principles?	√		The Company has established its "Corporate Governance Best Practice Principles" according to the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies," which was approved at the 2 nd meeting of the 17 th Board and disclosed on the Company' s website and the MOPS.	No difference
II. Equity structure and shareholders right				
(1) Has the Company formulated internal SOP for handling shareholders' suggestions, doubts, disputes, litigations and implemented them according to the SOP?	√		(1) The Company has a spokesperson and acting spokesperson in place, and provides the contact section on the Company' s website to handle shareholders' recommendations and questions; the Company also has relevant departments that address disputes and litigations with shareholders.	No difference
(2) Does the Company hold a list of the Company's key shareholders and their ultimate controllers?	√		(2) The Company owns the list of the final controllers of substantial shareholders who control the Company according to laws and regulations.	No difference
(3) Has the Company established and implemented risk control and firewall mechanism with its affiliated companies?	√		(3) There are regulations in place to control related party transactions, endorsement/guarantee, and loans to others between the Company and its affiliates; the Company also established its internal control system and "Regulations for Investee Management and Monitoring" ; the audit department shall execute measures related to internal audit and internal control, and the rights and responsibilities of which shall be explicitly separated from the management rights and responsibilities of affiliates to ensure the risk control system.	No difference
(4) Has the Company stipulated internal regulations prohibiting inside personnel trading securities using information that has not yet been disclosed on the market?	√		(4) The Company established its "Code of Ethical Conduct," "Ethical Corporate Management Best Principles," "Procedures for the Prevention of Insider Trading," and "Procedures for Whistle-blowing Management" to prohibit internal parties from using information not disclosed in the market to trade securities; we also regularly organize internal communications each year and make disclosures on our corporate website. The Company organized a training course, "Understand Insider Trading," and notified internal parties of the Company from time to time regarding matters of notice for material information in 2021.	No difference
III. The organization of the Board of Directors and their duties				
(1) Does the Board establish the diversity policy, substantial management targets, and make implementations appropriately?	√		(1) Article 21 of the Company' s "Corporate Governance Best Practice Principles" states the idea of Board diversity, where members of the Board shall possess knowledge, experiences, and abilities required for the execution of their duties with reference to the business characteristics, operations, and future development requirements of the Company. The Board shall, in general, possess the abilities to make business judgments, accounting and financial analysis, business management, emergency management, as well as industry knowledge, leadership, decision-making capacity, and international vision required for cross-nation operations. 1. The Board of the Company comprises seven Directors, including one female Director (accounting for 14%) and three Independent Directors (accounting for 43%); two of the Independent Directors have been re-appointed for two sessions, and one of the Independent Directors have been re-appointed for three sessions; however, as the Independent Director possesses extensive financial backgrounds and industrial experiences that are significantly beneficial for the future business development of the Company.	No difference

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Assessment Items	Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Abstract Description	
(2) Besides creating the Remuneration Committee and the Audit Committees according to the law, has the Company voluntarily established other functional committees?		√	2. For the age distribution of Board members, those under 65 accounted for 14%, those between 65 to 70 accounted for 57%, and those above 70 accounted for 29%. 3. In addition, there is no Director who is concurrently a managerial officer of the Company. Members of the Board are from different fields of expertise, used to be the senior management in international enterprises, and possess knowledge, skills, leadership and decision-making capacity, and international market vision; abilities of members of the Board, in general, comply with the diversity policy and the requirements of the Company's future business development; for relevant implementation status, please refer to "Board Diversity" on page 13 of the annual report.	Considering the management of business operations, the Company will not set up other functional committee for now. No difference
(3) Does the Company formulate the Regulations for the Performance Evaluation of the Board of Directors and its evaluation method? Does the Company conduct performance evaluations regularly every year, and submit and report the results of the performance evaluations to the Board of Directors, and take the results as a reference for the compensation and nomination renewal of individual directors?	√		(2) The Company established its Audit Committee and Remuneration Committee according to the law with reference to its operating requirements. (3) The "Self-Evaluation or Peer Evaluation of the Board of Directors" was established after being approved at the 19 th meeting of the 16 th Board in 2020, which stated that an external evaluation shall be executed at least once every three years. The Company performed the evaluation in 2021 according to the requirements; self-evaluation questionnaire was adopted, and the agenda working group was responsible for the execution; the evaluation period was from January 1, 2021 to December 31, 2021, and the evaluation scope includes the "Board of Directors," "functional committees," and "individual Directors." The results for the 2021 Board evaluation are summarized as follows: 1. The overall evaluation result of the Board is "complying with expectations" The system of the Board is complete, and the information transparency complies with the regulations. All Directors highly recognizes the expertise and diversity of the current Board composition and structure. All Directors attended the previous Board meetings and sufficiently participated in the discussions; the Board provided directions for improvement and risk issues to be aware of, duly fulfill its responsibility for supervising our corporate strategies, complying with Directors' expectations. 2. The overall evaluation result of the functional committees is "complying with expectations" The composition of the Audit Committee and the Remuneration Committee is highly professional and independent; members fully understand their duties. All members attended previous meetings and participated in discussions sufficiently to assist the Board in decision-making. Independent Directors exhibit their independence and professional performance to effectively evaluate and monitor the internal control system, provide recommendations and reminders, offering great benefits for the Board in decision-making, which effectively improve the functions of the Board. 3. The overall evaluation result of individual Directors is "complying with expectations" Board members recognizes the comprehensive corporate system, information transparency, and the provision of sufficient information for them to grasp the operating status of the Company; they also highly recognize the professional abilities of the Board members and their contributions to the Company's operating and management and decision-making quality based on their expertise and experiences.	

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Assessment Items	Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Abstract Description	
(4) Does the Company evaluate accountant independence on a regular basis?	√		The above mentioned evaluation results were reported at the 6 th meeting of the 17 th Board and the declaration was completed; such results were included as the reference for the nomination of the renewal of Directors. (4) The Company regularly evaluates the independence and adequacy of its CPAs (Note) each year. In 2021, the CPA evaluation result was approved at the 3 rd meeting of the 17 th Board; CPAs Ming Hung Huang and Lin Wu from KPMG Taiwan both complied with the evaluation standards of the Company; the CPA firm also issued the Statement of independence.	No difference
IV. Does the Company have an adequate number of corporate governance personnel with appropriate qualifications as well as a corporate governance officer in charge of relevant corporate governance matters (including but not limited to providing data required for director and supervisor operations, assisting directors and supervisors with regulatory compliance, handling matters relating to board meetings and shareholders meetings according to laws, as well as producing minutes for such meetings)?	√		Mr. Chao-Cheng Tsai was appointed as the Corporate Governance Officer of the Company through the resolution passed at the 21 st meeting of the 16 th Board. Mr. Chao-Cheng Tsai is a qualified lawyer and has held senior positions in departments related to legal affairs in public companies for three years and above. The scope of duties of the Corporate Governance Officer includes "handling matters related to Board meetings and shareholders' meetings according to the law," "preparing meeting minutes for Board meetings and shareholders' meetings," "assisting Directors in on-boarding and continual education," "providing information required for the execution of business to Directors," "assisting Directors in legal compliance," and "other matters stated in the Articles of Incorporation or contracts." Meanwhile, it shall make coordination between relevant departments and promote the planning and execution of corporate governance operations, allowing the Company to achieve sustainable development under a healthy governance structure. For the continuing education status of the Corporate Governance Officer in 2021, please refer to the continual education status on page 42 of the annual report.	No difference
V. Does the Company maintain channels of communication with stakeholders (including but not limited to shareholders, employees, customers and suppliers) and designate a stakeholders section on its website as well as properly respond to critical corporate social responsibility issues that stakeholders are concerned with?	√		The Company has "Contact Information for Stakeholders" and "Whistle-blowing Mailbox" on the Company's website and has established contact windows with various stakeholders to communicate with stakeholders through various channels; also, the Company regularly reports to the Board regarding the communication status with stakeholders. The communication status with stakeholders in 2021 was reported at the 24 th meeting of the 16 th Board. For issues concerned by stakeholders and our responses, please refer to the sustainability report of the Company.	No difference
VI. Has the Company commissioned professional securities institutions to handle shareholders' meetings?	√		We commissioned SinoPac Securities to handle the shareholders' meeting.	No difference
VII. Disclosures (1) Does the Company set up a website to disclose financial business and corporate governance?	√		(1) The Company's website has the "Investor Relation" section that covers financial information, financial reports, and corporate governance information; it also regularly updates the content of the website, and the spokesperson of the Company announces material information to external parties according to the law.	No difference

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Assessment Items	Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Abstract Description	
(2) Does the Company also adopts other means for disclosure. (i.e. English web site, personnel dedicated to collect and disclose Company information, establishment of a spokesperson policy, disclosure of the process of investor conference on Company web site, etc.)	√		(2) The Company has established its websites in Traditional Chinese, English, and Simplified Chinese, and there is dedicated personnel being responsible for the information disclosure and updates. The spokesperson releases information regarding material matters to external parties at once. The Company provides briefing and real-time scenarios of its investor conference on the website.	No difference
(3) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second and third quarter financial reports and operating conditions of each month before the limitation date provided?		√	(3) The Company announces and declares its annual, quarterly financial reports and announces its monthly operating status according to the period stated in laws and regulations.	Adjustments will be made according to the requirements in the future.
VIII. Is there any other important information that will facilitate the understanding of the Company's corporate governance operations (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, further education of directors and supervisors, implementation of risk management policy and risk evaluation standards, client policy implementation, Company's liability insurance for its directors and supervisors and so on)?	√		(1) Employees' rights and care for employees: The Company complies with regulations where its operations locate and protect employees' rights; it values employees' physical and mental health, provides health inspections and group insurance, and has established its Employee Benefits Committee to plan for various benefit measures and recreational events. For the environment, we are committed to providing safe and healthy work environments for our employees, minimizing the risk of occupational disasters, and reinforcing employees' awareness of their rights protection through educational training. Please refer to "V. Labor Relations" on page 63 of the annual report. (2) Investor relations: The Company discloses material information on the MOPS and declares information related to corporate governance and finance according to the law, allowing investors to keep abreast of information at all times; we also set up a spokesperson system in place to maintain investor relations; we have a contact section on our website to provide smooth communication channels. (3) Supplier relations: The Company has established its "Supplier Evaluation and Management Regulation" to ensure our partners may implement the "Code of Conduct for Partners of TSRC Corporation," protecting the legal interests of both parties. (4) Stakeholders' interests: Please refer to the stakeholder section on the corporate website. (5) Continual education of Directors: The Company actively encourages Directors to participate in relevant courses organized by the competent authority. All Directors regularly participate in continual education programs each year for over six hours and above. Please refer to "Continual Education of Directors" on page 42 of the annual report. (6) Execution of risk management policies and risk measurement standards: The Company approved the establishment of the "Risk Management Policy" at the 4 th meeting of the 17 th Board in 2021 to build the system, procedures, and scope for risk management to confirm the rights and responsibilities of the organization and regulate relevant execution and monitoring systems. Regarding the execution status for risk management in 2021, please refer to the corporate governance section on the Company's website.	No difference

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Assessment Items	Status		Abstract Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
			<p>(7) Execution of the customer policy: The Company ensures the health and safety of customers when using products of the Company through annual satisfaction surveys, interactive seminars, interviews, and other communication channels, and carries out examinations regarding the issues to propose improvement recommendations, so as to improve the quality of products and services.</p> <p>(8) Purchase of liability insurance for Directors and supervisors by the Company: The Company purchases liability insurance for Directors and managerial officers for the scope of business execution and reports to the Board each year.</p>	
<p>IX. Please indicate the improvement in respect to the corporate governance evaluation results released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and propose priority enhancements and measures for those which have not improved.</p> <ol style="list-style-type: none"> 1. Established and disclosed the Corporate Governance Best Practice Principles, Risk Management Policy, Ethical Corporate Management Best Practice Principles, "Procedures for the Prevention of Insider Trading," and "Procedures for Whistle-blowing Management" that are approved by the Board. 2. Established and disclosed the Board diversity policy and the diversity status. 3. Has a Corporate Governance Officer in place that is approved by the Board. 4. The Company has evaluated the risks of environmental, social, or corporate governance issues related to the operations of the Company and evaluated the current and future potential risks and opportunities of climate change to the Company and disclosed them on the corporate website. 				

Note: 2021 CPA Independence and Adequacy Evaluation Form

(1) Evaluation year: 2021.

(2) Evaluating CPA: KPMG Taiwan/CPAs Ming Hung Huang and Lin Wu

Evaluation Item	Results	
	Yes/Compliance	No/Non-compliance
1.CPA does not have any financial interest or business relations with the Company and therefore remains independent.	√	
2.CPA has not served as director, supervisor, manager, or in any other positions of major influence in auditing within the past two years.	√	
3.CPA does not serve in any management positions with an impact on corporate decisions in the Company.	√	
4.CPA does not regularly work at the Company or receive a fixed income from the Company.	√	
5.CPA did not accept any requests from management for inappropriate selection of accounting policies or inappropriate disclosure of financial statements.	√	
6.No loans between CPA and the Company and/or affiliates.	√	
7.CPA has not offered auditing services to the Company for seven consecutive years.	√	
8.CPA and audit team has issued a Statement of Independence.	√	
9. CPA's qualifications.	√	
10. CPA's experiences.	√	
11. CPA's level of cooperation.	√	
12. CPA's level of profession/	√	
13. Services provided by CPA.	√	

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<4> Information on Compensation Committee:

1. Information on Compensation Committee

December 31, 2021

The identity		Professional Qualification and Experience	Independence Status	Number of Public Companies in which the Director is Concurrently A Member of the Remuneration Committee
Identity/Name				
Independent Director (Convener)	Sean Chao	Please refer to Table "Disclosure of the Professional Qualification of Directors and the Independence of Independent Directors" on page 12 of the annual report.	Please refer to Table "Disclosure of the Professional Qualification of Directors and the Independence of Independent Directors" on page 12 of the annual report.	2
Independent Director	Robert Hung	Please refer to Table "Disclosure of the Professional Qualification of Directors and the Independence of Independent Directors" on page 12 of the annual report.	Please refer to Table "Disclosure of the Professional Qualification of Directors and the Independence of Independent Directors" on page 12 of the annual report.	0
Independent Director	Rex Yang	Please refer to Table "Disclosure of the Professional Qualification of Directors and the Independence of Independent Directors" on page 13 of the annual report.	Please refer to Table "Disclosure of the Professional Qualification of Directors and the Independence of Independent Directors" on page 13 of the annual report.	0

2. Operational information of the Remuneration Committee

- (a) There are 3 members in the Remuneration Committee of the Company.
- (b) The term of the 17th committee members shall be from August 4th 2021 to August 3th, 2024. The 17th Remuneration Committee held 5(A) meetings in 2021. The attendance of members in the remuneration committee meetings is specified as follows:

Job title	Name	Frequency of actual attendance(B)	Frequency of proxy attendance	Actual attendance rate (%) (B/A)	Remark
Convener	Sean Chao	5	0	100	Re-appointed
Member	Robert Hung	5	0	100	Re-appointed
Member	Rex Yang	5	0	100	Re-appointed

3. The primary scope of duties of the Remuneration Committee is as follows:

- (a) Regularly examine the Charter of Remuneration Committee and propose amendment recommendations
- (b) Stipulate and regularly examine the annual and long-term performance targets of Directors and managerial officers and the policies, system, standards, and structures of remuneration

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

- (c) Regularly evaluate the achievement of the performance targets of Directors and managerial officers and establish their respective content and amount of remuneration

Other matters to be stated:

1. Operating status of the Remuneration Committee in 2021:

Meeting Date	Meeting Name	Major Resolutions	Implementation Status
January 27, 2021	The 12 th meeting of the 16 th session	1. 2020 employee performance bonus plan. 2. 2021 employee remuneration adjustment plan. 3. Determination of the performance plan of managerial officers for 2021	Approved by all members attended and submitted to the Board for discussion.
March 4, 2021	The 13 th meeting of the 16 th session	1. 2020 evaluation report for the Board 2. Performance evaluation and bonus for managerial officers 3. Manager's remuneration plan 4. Appointment of the Corporate Governance Officer 5. 2020 remuneration for the Company's Directors.	Approved by all members attended and submitted to the Board for discussion.
April 29, 2021	The 14 th meeting of the 16 th session	Amendments to the Company's "Charter of Remuneration Committee"	Approved by all members attended and submitted to the Board for discussion.
July 29, 2021	The 15 th meeting of the 16 th session	Promotion of the Company's managerial officers	Approved by all members attended and submitted to the Board for discussion.
October 28, 2021	The 1 th meeting of the 17 th session	Change in the Company's chief accountant	Approved by all members attended and submitted to the Board for discussion.

The above mentioned matters were approved by the Remuneration Committee; there is no dissenting or qualified opinion expressed by Independent Directors attended.

2. Where the Board of Directors does not adopt or revise the recommendation from the Remuneration Committee, the minutes of the meeting shall specify the date and term of the directors' meeting, content of the issue, resolution of the directors' meeting, and the disposition on the opinion from the Remuneration Committee by the Company (where the remuneration approved by the Board of Directors is superior to the recommendation from the Remuneration Committee, the difference and reasons shall be specified): No such circumstances in 2021.
3. If, with respect to any resolution of the remuneration committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, the minutes of the meeting shall specify the date and term of the meeting of the Remuneration Committee, content of issues, opinions of all members, and disposition on the opinions of members: No such circumstances in 2021.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<5> Promotion of Sustainable Development, Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Promotion Item	Status(Noet1)		Summarized Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
I. Has the Company established a governance structure for the promotion of sustainable development and established a dedicated (part-time) unit for the promotion of sustainable development? Has the Board authorized the senior management to handle such matters under its supervision?	√		<ol style="list-style-type: none"> The Board is the highest governance institution for the sustainable development of the Company that executes the monitoring duties; it regularly examines the execution achievements of the sustainable corporate development and ESG strategies. An ESG Steering Committee is established under the Board; the Committee is formed by the operating team, and the CEO is the convener of the Committee, which is responsible for the overall planning and execution of the sustainable corporate development and ESG strategies and the regular report to the Board regarding the ESG execution strategies and recommendations for development. To allow the cooperation and execution of ESG among all functional departments and the effective implementation in subsidiaries for the innovative momentum, an ESG workforce is established under the ESG Steering Committee. With the leadership and authorization of the ESG Steering Committee, the workforce plans for the ESG strategies and executes ESG targets and actions plans through the three major aspects of ESG, and duly implement major aspects based on the long-term development of the Company. Meanwhile, to reinforce the relationship with stakeholders, the Company has established and maintained effective communication channels; the workforce regularly reports to the ESG Steering Committee regarding the ESG promotion and execution status. 	No difference
II. Does the Company carry out risk assessment regarding the environment, social, and corporate governance issues related to its corporate operations based on the materiality principles and established relevant risk management policies or strategies?	√		<ol style="list-style-type: none"> The Company performs detailed assessments and materiality categorization regarding the environment, social, and corporate governance issues related to its corporate operations, carries out effective management and control based on the materiality principles, and establishes relevant policies, strategies, or procedures, and make disclosures in the sustainability report according to GRI, SASB, and relevant specification. For descriptions related to the material aspects of the Company, please refer to the 2021 Sustainability Report of the Company and our website. 	No difference
III. Environmental Issues: (1) Has the Company established an environmental management system according to the industry characteristics?	√		<ol style="list-style-type: none"> The Company operates in the chemical industry. Based on the industry category, except for complying with local laws and regulations, the Company has established comprehensive environment management systems for its internal management and control, and regularly examines its execution status. The Company actively responds to the international trend of net zero emissions, has establishes the short-term, mid-term, and long-term carbon dioxide reduction targets and increases the use ratio of renewable energy; the Company continues reducing GHG emissions, reinforces the energy consumption efficiency of its procedures, and improves the energy consumption of products. For the external audit of the environmental aspect, our production and manufacturing plants (including Kaohsiung Plant, Gangshan Plant, Nantong Plant III, and Shanghai Plant) have been certified under ISO-14001 environment management system; Kaohsiung Plant was certified under ISO-50001 energy management system and ISO-14064 greenhouse gases inventory check; it is estimated that all subsidiaries substantially in operation would complete the certification of ISO14064 greenhouse gases inventory check. For descriptions of the Company's ESG environmental strategies, execution status, and management systems, please refer to the Company's 2021 Sustainability Report and our website. 	No difference

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Promotion Item	Status(Noet1)		Summarized Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof												
	Yes	No														
(2) Is the Company committed to improving energy use efficiency and the use of renewable materials with low environmental impact?	√		<ol style="list-style-type: none"> For the use of energy, the Company continues improving its production procedures, replaces its high-energy consumption equipment, improves the energy use efficiency, and improves the energy consumption of various products through innovation and R&D. The Company actively sets its short-term, mid-term, and long-term carbon dioxide reduction targets, and performs examinations for Scope 1 and Scope 2, respectively, to effectively reduce the carbon dioxide emissions and reinforce the energy use efficiency; it continues to increase the use ratio of renewable energy for all plants. To reduce the reliance of petrochemical materials and minimize impacts on the environment, the Company continues exploring and developing suppliers of renewable materials (including agricultural produce, bio-feeds, and recyclable products), and evaluates the customers' demand and market supply/demand for timely supply. 	No difference												
(3) Has the Company evaluated the current and future risks and opportunities of climate change to enterprises and adopted relevant countermeasures?	√		<ol style="list-style-type: none"> In response to global climate change, the Company promotes the initiatives for GHG reduction and values the adjustments for climate change. We commenced the promotion of financial impact evaluations related to climate in 2021 and adopted the "Recommendations of the Task Force on Climate-related Financial Disclosures(TCFD)" to carry out the scenario analysis of financial disclosures related to climate change. Based on the climate risks, we identified transition risks and physical risks, determined 13 climate risk, 5 climate opportunities, and prepared quantitative financial data regarding impacts brought by risks, and disclosed the level of impacts of climate change on the Company and response policies and relevant measures; in addition, based on the core elements in the disclosure recommendations under the TCFD, we performed relevant operations and made disclosures in terms of governance, strategies, risk management, indicators, and targets. For relevant details, please refer to the Company's 2021 Sustainability Report and our website. 	No difference												
(4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	√		<ol style="list-style-type: none"> The Company has established comprehensive environmental protection policies and management policies. Except for establishing policies related to the ISO50001 Energy Management System, ISO14001 Environmental Management System, ISO14064-1 Greenhouse Gases Inventory Check, and QC08000 Zero Toxic Substance certified by a third party, regarding ESG strategies, the Company has formulated targets for reinforcement for environmental protection and responded to carbon neutral, and set 2021 as the base year for establishing the GHG and carbon dioxide reduction targets; we also increased our wastewater recycling ratio, reduced our water consumption, and increased the use ratio of recycled water; for the latest targets, please refer to the sustainability report and our corporate website. In 2021, the GHG inventory check was updated to ISO14064-1:2018, and we had obtained the third-party certification; according to the requirements, KPMG performed the assurance operation for the environmental data in the sustainability report, issued the opinion, and carried out the verification according to SGS and issued the certification report for GHGs, water consumption, the total weight of wastes. Data on GHG emissions, water consumption, and total weight of wastes for the past two years is as follows: <ol style="list-style-type: none"> Total GHG emissions of TSRC Group over the years (unit: MT Co₂e) <table border="1" data-bbox="1645 1803 2363 2072"> <thead> <tr> <th>Greenhouse gas (GHG) emissions</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Scope 1(direct greenhouse gas emission)</td> <td>232,531</td> <td>115,463</td> </tr> <tr> <td>Scope 2(energy indirect greenhouse gas emission)</td> <td>326,765</td> <td>455,535</td> </tr> <tr> <td>Total</td> <td>559,296</td> <td>570,998</td> </tr> </tbody> </table> 	Greenhouse gas (GHG) emissions	2020	2021	Scope 1(direct greenhouse gas emission)	232,531	115,463	Scope 2(energy indirect greenhouse gas emission)	326,765	455,535	Total	559,296	570,998	No difference
Greenhouse gas (GHG) emissions	2020	2021														
Scope 1(direct greenhouse gas emission)	232,531	115,463														
Scope 2(energy indirect greenhouse gas emission)	326,765	455,535														
Total	559,296	570,998														

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Promotion Item	Status(Noet1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof																																	
	Yes	No	Summarized Description																																		
			<table border="1"> <thead> <tr> <th>Total GHG emissions of TSRC Group over the years</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Total GHG output (MT)</td> <td>521,529</td> <td>562,138</td> </tr> <tr> <td>GHG emission intensity (MT of Co₂e/MT)</td> <td>1.07</td> <td>1.02</td> </tr> </tbody> </table> <p>(b) Total water consumption of TSRC Group(unit: 1,000 MT)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Total water consumption</td> <td>5,243</td> <td>4,796</td> </tr> </tbody> </table> <p>(c) Weight of different wastes of TSRC Group (unit: MT)</p> <table border="1"> <thead> <tr> <th>Weight of different wastes (unit: MT)</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Total General Business Waste (including general garbage)</td> <td>2114</td> <td>2603</td> </tr> <tr> <td>Total Hazardous Business Waste</td> <td>1,927</td> <td>1363</td> </tr> <tr> <td>Total</td> <td>4,041</td> <td>3966</td> </tr> <tr> <td>Output</td> <td>521,529</td> <td>562138</td> </tr> <tr> <td>Waste volume for per unit of product(MT/1,000 MT)</td> <td>7.75</td> <td>7.06</td> </tr> </tbody> </table>	Total GHG emissions of TSRC Group over the years	2020	2021	Total GHG output (MT)	521,529	562,138	GHG emission intensity (MT of Co ₂ e/MT)	1.07	1.02	Year	2020	2021	Total water consumption	5,243	4,796	Weight of different wastes (unit: MT)	2020	2021	Total General Business Waste (including general garbage)	2114	2603	Total Hazardous Business Waste	1,927	1363	Total	4,041	3966	Output	521,529	562138	Waste volume for per unit of product(MT/1,000 MT)	7.75	7.06	
Total GHG emissions of TSRC Group over the years	2020	2021																																			
Total GHG output (MT)	521,529	562,138																																			
GHG emission intensity (MT of Co ₂ e/MT)	1.07	1.02																																			
Year	2020	2021																																			
Total water consumption	5,243	4,796																																			
Weight of different wastes (unit: MT)	2020	2021																																			
Total General Business Waste (including general garbage)	2114	2603																																			
Total Hazardous Business Waste	1,927	1363																																			
Total	4,041	3966																																			
Output	521,529	562138																																			
Waste volume for per unit of product(MT/1,000 MT)	7.75	7.06																																			
IV. Social Issues (1) Does the Company establish relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	√		<ol style="list-style-type: none"> To realize the protection to personnel, the Company has established its personnel interest protection policies and procedures, complies with regulations where our business branches operates worldwide, and safeguards the rights of employees, practitioners of long-term contractors, and other personnel (the "personnel"); the Company supports and makes reference to the human rights standards recognized internationally under the International Labor Office Tripartite Declaration of Principles, The OECD Guidelines for Multinational Enterprises, UN Universal Declaration of Human Rights, and The UN Global Compact. We respect interests of workplace personnel, prohibit all forms of discrimination, ban forced labor and child labor, ND incurs no interference with employee's freedom of association. With respect to the environment, the Company is committed to providing a safe and healthy workplace for its employees; it complies with relevant regulations and continues improving the safety and health of the workplace, prevents the occurrence of accidents, minimizes risks of occupational disasters, protects employees' safety and facilitates their physical and mental health, as well as enhancing the awareness of the employee's regarding personnel interest protection through educational training. "People-oriented mindset" is the core value of the Company; we seek to achieve the target of zero disaster and zero injury through the operation of principles related to technologies, safety and health culture, responsibility, and communication. To mitigate the risk of personnel interest protection, TSRC Corporation actively carries out substantial planning to create premium workplaces. We carry out internal and external audits annually to eliminate the occurrence of risks related to personnel interest protection. Regarding the evaluation of personnel interest protection, risk mitigation measures, and personnel protection training practices, please refer to the 2021 Sustainability Report and our website. 	No difference																																	

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Promotion Item	Status(Noet1)		Summarized Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
(2) Does the Company establish appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	√		<ol style="list-style-type: none">1. For employees' remuneration and benefits, except for remuneration policies and management regulations in place, the Company established relevant regulations for employees' leave-taking and other benefits. Meanwhile, we referred to the international market trend and employees' requirements, we established targets and action plans for the target related to improving employees' happiness for our ESG strategies and make reinforcement and effective promotion on a yearly basis.2. For the retirement system, we appropriate retirement pension to employees' personal account at the Bank of Taiwan and the Labor Insurance Bureau according to the "Labor Standard Act," "Labor Pension Act," and implementation rules, and the accounting standards for retirement pension for employees in Taiwan, and we regularly hold meetings to review the use of retirement pension through the "Reserve Labor Pension Fund Supervisory Commission" to protect employees' retirement interests. In Mainland China, the Company and employees jointly pay the basic endowment insurance, basic medical insurance, work injury insurance, unemployment insurance, maternity insurance, and housing provident fund according to ratios stated in relevant requirements under the "Social Insurance Law" in Mainland China. After the retirement, employees may collect the retirement pension uniformly distributed by the national labor and social security department. In the U.S.A., the Company provides various insurance and retirement pension according to local social security regulations, and also offers 401(k).3. The Company has its labor union in place; the Company has held meetings between employer and labor periodically, and negotiated for the laborers' interests and rights through formal meetings after sufficient communication and negotiation. Meanwhile, through the CEO Communication Meeting, CEO interacts with employees and understand their demands; employees also understand the mid-to-long-term strategies and business development of the Company through the meeting. All subsidiaries also possess smooth labor-capital communication channels.4. With regarding to the annual operating status, market competition, and annual performance evaluations of employees, the Company provides remuneration rewards and the salary adjustment system for employees, given the compliance with the Company's Articles of Incorporation and local laws and regulations. Except for appropriately reflecting our operating achievements in employees' remuneration, the Company also values talent retention and gender equality.5. The Company offers much rounder insurance package than the regulations (i.e., group insurance/group insurance for spouse and children) to safeguard employees' work and life safety. For meal subsidies, year-end dinner, annual health inspection, annual company trip, employee's long-term service award, and gift money for marriage, nursery, injury/sickness, bereavement, or subsidies, we provide various benefits, and the Company also provide discretionary subsidies during Chinese New Year or festivals for employees with financial difficulties. In Mainland China, we also offer high temperature subsidy to protect employees' interests and retirement benefits.6. For relevant descriptions, please refer to the 2021 Sustainability Report and our website.	No difference

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Promotion Item	Status(Noet1)		Summarized Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No		
(3) Does the Company provide the employees with safe and healthy working environment and carry out regular training courses regarding safety and health of the employees?	√		<ol style="list-style-type: none">1. The Company adheres to the spirit of occupational safety and health management to establish its management regulations and "Workplace Health and Safety Rules" that stipulate the health and safety of all employees. In addition, we stated the rights and obligations related to safety standards, educational training, health instructions, first-aid and rescue, and event reporting for employees and contractors in relevant regulations.2. To safeguard the safety and health of employees and protect interests of stakeholders, the Company has introduced or established relevant systems (including ISO 14001 environment management system as well as ISO45001 and CNS45001 occupational safety and health management system)for its subsidiaries in Taiwan and China. Furthermore, inheriting the spirit of responsible care committees established by the majority of the companies in the chemical chemistry, TSRC participates in TRCA and Renda Safety and Health Promotion Association to observe and learn from others in terms of health and environmental protection, so as to improve the level of protection regarding operators' safety and health; the Company regularly organizes fire drills and occupational safety educational training each year to cultivate employee's emergency management and self-safety management abilities. In response to the leakage of materials and supplies arising from operating activities, fire/explosion/earthquake, and other emergencies, the Company stipulates the emergency management procedures.3. The Company established the "Regulations for Identification and Risk Evaluation for Occupational Safety Hazards" in the ISO45001 occupational safety and health management system to execute significant occupational safety and health risk evaluations; for not acceptable risks and acceptable improvement opportunities, the Company include them into the targets and action plans to effectively control risks. In addition, according to the "Regulations for Anomaly Handling Procedures," the reporting specifications are stated regarding all levels of safety and health events (including false alarm). In 2021, there were a total of five occupational injury cases, with the number of injured employees amounting to five in total; there was no material damage occurred. The total number of employees in the Group was 1,604 (the working hours of employees were 3,186,023 hours in total). After analyzing the cause of the accidents, the Company will continue improving the consultation and drills to ensure the safety of employees.4. The Company continues to make improvements in safety and health, as well as fire prevention works, including "permitted operation control, safety observation and patrol inspection, chemical management, auto-inspection, emergency management, contractor management, operating environment testing, as well as safety and health educational training," and seeks to achieve the target of zero disaster and zero injury.5. The Company organizes physical health inspection for all employees once a year and carries out follow-up management for employees with material anomalies in their health inspection results with the assistance from nurse practitioners, under the condition that none of the requirement of the personal information regulations is violated.6. Regarding the educational training in 2021, please refer to the 2021 Sustainability Report.	No difference
(4) Has the Company established effective career development training programs?	√		<ol style="list-style-type: none">1. The Company has established its strategies for employees' educational training, which effectively and continuously strengthens the development of employees' functions. Except for new employee training that ensures the completion of the basic training for different duties step by step, each functional department also plans for continual programs regarding employees' functions each year to reinforce their professional abilities. At the same time, the Company holds multiple sessions of exchange seminars for employees to have the opportunities to learn non-professional knowledge and gain further knowledge on the Company's long-term development.2. To connect to the international standards, strengthening English proficiency is one of the abilities that the Company values in its employees; the Company provides online self-learning channels for employees and promotes self-learning; furthermore, it arranges programs related to leadership for the middle and senior management to improve the management functions.	No difference

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Promotion Item	Status(Noet1)		Summarized Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No		
			<p>3. In response to the transition to the low-carbon dioxide era, the Company continues nurturing sustainability talents for the transition; it established short-term, mid-term, and long-term targets and corresponding action planes to make planned promotions, which not only attracts talents but also strengthen the human capital of the Company.</p> <p>4. For the descriptions related to employees' educational training and the sustainability talent cultivation plant of the Company, please refer to the 2021 Sustainability Report or the corporate website.</p>	
(5) Does the Company have its product and service comply with regulations and international rules related to customers' health and safety, privacy, sales, and labelling, and set policies to protect consumers' rights and consumer appeal procedures?	√		<p>1. The Company has evaluated all stages within the life cycle of our products regarding health and safety impacts and imposes control. For the marketing of products, the Company evaluates the competitive niche of products in terms of health and safety under the industrial trend, and actively exhibits the products advantages during exhibitions and communications with customers. Meanwhile, considering the increasing awareness of environmental protection and energy-saving worldwide that gave rise to the green development trend of synthetic rubber, the Company started developing environmental rubber and made active promotions to and communications with customers. In addition, we emphasizes and communicates with customers regarding the business concepts of our sustainable products on our website, during visits to customers, or at public events (i.e. seminars or product launch presentation).</p> <p>2. Given the effects of products on the environment, human health and safety in different stages within the life cycles, upon the development of all products, the Company adopts laws and regulations related to environment and chemical substance safety management worldwide as its standards; mass production and shipping are subject to the compliance with such standards. The Company sets out the specifications, nature, and usage instructions for rubber products it provided in the COA and safety data sheet to allow customers to understand the safe usage; we also state our consultation line to assist customers in obtaining the information required with our best efforts. We enclose SDS for the first shipment made to each customer; the SDS specifies the information of the substances, waste processing method, and using conditions. The SDS is available on our website and is also provided upon request by our customers at all times.</p> <p>3. Products of the Company comply with the requirements related to SVHC information transmission under REACH regulations, and the Company continues to update the HSF supporting information of suppliers. The Company has established its Regulations for Processing Customer Complaints and Regulations for Finished Good Safety Data Sheet to effectively process customer complaints and after-sale services of products.</p> <p>4. The Company has established its "Ethical Corporate Management Best Principles" to prevent our products or services from harming stakeholders and join forces with all functional units to improve the customers' satisfaction, providing convenient services for customers and focusing on protection related to privacy and transaction safety.</p> <p>5. In 2021, there is no infringement arising from violating health and safety regulations related to products or violating marketing regulations, or arising from product responsibilities.</p>	No difference
(6) Does the Company establish a supplier management policy, requiring suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and their performing status?	√		<p>1. The Company has established its PCC, including categories of environment, occupational safety and health, human rights/ethical and labor policies, to encourage suppliers in observing national and other applicable laws and regulations and becoming companies with leading positions in terms of sustainability. We also encourage suppliers to establish their own code of conducts and further expand such acts to the entire supply chain.</p> <p>2. The Company requires our partners to observe local laws and regulations regarding banning forced/exploited laborers, as well as legal working hours, and disclosures of salaries and benefits. Our evaluations of suppliers include ISO 9001, RoHS(HSF), QC 080000, ISO 14001, ISO45001, and CNS45001, as well as material indicators of corporate social responsibility. We require suppliers to comply with the freedom of assembly and association, no child labor, and elimination of forced labor to maintain basic human rights. In 2021, according to the survey results by using the CSR evaluation table for raw material suppliers, there is no violation of the above mentioned matters.</p>	No difference

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Promotion Item	Status(Noet1)		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	
			<p>3. Except for strictly forbidding the use of child labor by partners, the Company also investigates suppliers by using the CSR evaluation table. The Company requires partners to respect and encourage employ; in compliance with local laws, we encourage them to develop and engage in the overall benefits of employees. Upon acknowledging the violation of the above mentioned matters by any suppliers, the Company will make arrangements according to the Regulations for the Management of Contractors." In 2021, according to the re-evaluation plan for raw material suppliers, we performed the written review for suppliers. According to the results of the audit, all suppliers were qualified.</p> <p>4. For details, please refer to the 2021 Sustainability Report.</p>
V. Does the Company refer to internationally accepted reporting standards or guidelines for compiling sustainability non-financial information, reports, such as on corporate social responsibility? Does the previous released report obtain the assurance of the third-party verification unit?	√		<p>1. The 2021 Sustainability Report of the Company adopts the frameworks issued by GRI and is prepared according to SASB. In the report, we made categorizations based on three major ESG aspects regarding the material aspects and made disclosures according to the specifications. Apart from obtaining the certification from the third-party institutions, we also added the CPA assurance operation for our report in 2021 according to the requirements.</p> <p>2. For the preparation principles of the report and the information of the third-party certifying institution, please refer to the 2021 Sustainability Report.</p>
			<p>VI. Has the Company established its Sustainable Development Best Practice Principles according to the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies, describe the implementation status and the deviation from the Principles: The Company has established its ESG strategies and management policies according to the "Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies" and actual operating requirements, and makes execution accordingly. For the operation of sustainable development, there is no deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies."</p>
			<p>VII. Other important information that is helpful to understand the implementation status of promoting sustainable development:</p> <p>1. In response to the increasing attention attached to the ESG performances of TSRC by the international capital market and stakeholders, and under the effect of global climate change, net zero emission has become the final goal of countries and enterprises. Meanwhile, in response to the implication of promoting the sustainable development of the listed companies and the amendments to the "Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies" by the FSC, the Company established its ESG strategies to serve as the long-term promotional policies in terms of environment, social, and governance.</p> <p>2. The Company's ESG strategies primarily focus on three aspects of environment, social, and governance; the purpose of such strategies is to allow the stable and continual operation and development of the Company through the establishment of short-term, mid-term, and long-term targets. Through the ESG strategies, we continued to implement governance for the governance aspect; in combination with the long-term strategies and operating plans, we reinforced our operating performances and built our operating resistance. For the environment aspect, we set active carbon dioxide reduction targets, increased the using ratio of renewable energy, wastewater recycling ratio, and using ratio of reuse water. For the social aspect, we continued cultivating sustainability talents, reinforced the health and safety environment for employees, increased employees' happiness, and increased our social participation. By doing so, we allow stakeholders to understand the investments and efforts made by the Company in different ESG aspect, and in turn, secure their support and improve the competitive strength of the Company's products in the market. Moreover, through our ESG performance achievements, we obtained favorable ratings from domestic and overseas rating institutions (i.e., MSCI, EcoVadis, CDP, and Corporate Governance Evaluation). Apart from improving our business growth, we also brought positive contributions to the environment and society.</p>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<6> Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Description	
<p>I. Define the program for operation in good faith</p> <p>(1) Does the Company clearly state the policy and the practice of ethical corporate management in the regulations and external documents when formulating the ethical corporate management approved by the Board of Directors, and do the board of directors and senior management level actively implement the ethical corporate management policy?</p> <p>(3) Does the Company establish an evaluation mechanism for the risk of dishonesty behaviors, regularly analyzes and evaluates business activities with a higher risk of dishonesty behaviors in the business scope. Based on the mechanism, does the Company formulate a plan for preventing dishonesty behaviors, at least covering the preventive measures in the second paragraph of Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM listed companies?"</p> <p>(3) Does the Company clearly set up the operating procedures, behavior guidelines, punishment and appeal system for violations in the plan of preventing dishonesty, implement it, and regularly review and revise the above-mentioned plan?</p>	<p>√</p> <p>√</p> <p>√</p>		<p>1. The Company has established its "Ethical Corporate Management Best Practice Principles" and "Code of Ethical Conduct" that are approved by the Board to state its philosophy and principles of ethical management and establish specifications and structures for joint observation.</p> <p>2. The Company has stipulated its "Risk Management Policy" and established the "Procedures for the Prevention of Insider Trading," "Procedures for Gift and Entertainment for Official Affairs," "Procedures for Conflict of Interests" (see details below), and other rules and regulations regarding acts with high unethical risks based on the risk assessment; such provisions specify the matter of notice and are disclosed on the Company's website and MOPS. In addition, the Company has established the "Regulations for the Evaluation and Management Regulation" to ensure our partners may implement the "Code of Conduct for Partners of TSRC Corporation." The above mentioned rules and regulations fully cover the prevention measures for acts stated in paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies."</p> <p>3. The Company communicates with and requires managerial officers and all employees to comply with the above mentioned rules and regulations through our educational training programs, and the responsible superiors as well as legal, finance, human resource, and other departments shall monitor the execution; the Company also requires employees to regularly disclose and confirm their status of conflict of interest annually for the responsible superiors to make arrangements according to the requirements.</p> <p>4. The Company also has the "Procedures for Whistle-blowing" (see details below) and "Regulations for Reward and Punishment" in place to ensure the compliance of the above mentioned rules and regulations by employees.</p>	No difference
<p>II. Fulfillment of operation in good faith</p> <p>(1) Has the Company assessed the ethical record of its partners and stipulated the ethical behavior clause in the contract?</p> <p>(2) Does the company have a dedicated unit to promote ethical corporate management under the Board of Directors, and regularly (at least once a year) report to the Board of Directors about its policy on ethical corporate management, plans to prevent dishonesty and monitor implementation?</p>	<p>√</p> <p>√</p>		<p>1. The Company has established the "Regulations for the Evaluation and Management Regulation" to ensure our partners may implement the "Code of Conduct for Partners of TSRC Corporation."</p> <p>2. The Company has established its "Regulations for Conflict of Interests" that requires Directors managerial officers, and employees to complete the questionnaires for the disclosure of conflict of interests each year; the Company also organizes promotional program of "Explanation Session for Conflict of Interests and Disclosure." For any conflict of interests, such parties involved shall make declarations actively and recuse themselves according to the requirements.</p>	No difference

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Description	
(3) Has the Company stipulated policies to prevent the conflict of interest, provided an adequate complaint channel and ensured by its proper implementation? (4) Does the Company establish an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal auditing system. Based on the results of the assessment of the risk of dishonesty behaviors, the audit unit should draw up relevant audit plans, and based on it, check if the plan of preventing dishonest behavior is followed, or commission an accountant to perform the check? (5) Has the Company regularly organized internal and external education and training concerning ethical management?	√ √ √		3. The accounting system and the internal control system of the Company are established according to the requirements of the competent authority, and the Company prepares its financial reports according to the International Accounting Standards. The internal audit department regularly evaluates risks and prepares audit plans according to the "internal control system," regularly performs audits regarding the compliance status of the system above, prepares audit reports and submits them to the Audit Committee and the Board. 4. To promote the ethical management policies of the Companies and improve the awareness of employees regarding laws related to ethical management, the Company organized educational training courses of "Understand Insider Trading," "Business Secrets and Non-competition," "Illegal Infringement at Workplace," and "Disclosure of Conflict of Interests and Management System."	
III. Status of the Company's reporting mechanism. (1) Has the Company stipulated a specific reporting and reward system, established a convenient reporting channel and assigned appropriate personnel to the accused? (2) Does the Company establish standard operating procedures of investigations to receive reports, follow-up measures after the investigation is completed, and related confidentiality mechanisms? (3) Has the Company taken measures to protect the reporter from being wrongfully treated?	√ √ √		The Company has established its "Procedures for Whistle-blowing," set up a public whistle-blowing mailbox on its corporate website, appointed dedicated personnel for handling the whistle-blowing cases, and carried out investigations on the identity of whistle-blowers through confidential manners; in addition, the Company explicitly stated the prohibition on revenge against whistle-blowers. For any illegal or inappropriate behaviors, the Company adheres to objective, just, and stringent attitudes to investigate and impose punishments according to the requirements, and examines and improves relevant rules, regulations, and procedures, accordingly, to prevent similar events to reoccur; when necessary, the Company adopts appropriate legal acts to protect the Company's interests, credibility, and reputation.	No difference
4. Enhance the disclosure of information Has the Company disclosed the performance of its ethical management on the Company website and the MOPS?	√		The Company discloses its "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," and relevant specifications, as well as substantial operations and implementation status on the corporate website.	No difference
5. If the Company has defined its ethical corporate management practice in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please state the operation thereof and difference between the Principles and the practice defined by the Company: The Company executed the operation in accordance with the "Code of Ethical Conduct" and "Code of Conduct", and there is no difference between them and said Principles.				
6. Any other important information helpful to comprehend the Company's operation in good faith: None.				

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<7> Stipulations of Corporate Governance Best Practice Principles and related regulations

The Company has established its "Corporate Governance Best Practice Principles," "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Articles of Incorporation," "Rules for Procedure for shareholders' Meetings," "Rules of Procedure for Board of Directors Meetings," "Rules for Director Election," "Procedures for the Acquisition and Disposal of Assets," "Procedures for Loan to Others," "Procedures for Endorsement and Guarantee," "Charter of Audit Committee," "Charter of Remuneration Committee," "Risk Management Policy," "Procedures for the Prevention of Insider Trading," and "Procedures for Whistle-blowing Management." For more information, please visit our website (<http://www.tsrc.com.tw>).

<8> Other crucial information to better understand the implementation of corporate governance.

1. In-service Training

Job title	Name	Date of Training	Organizer	Program(s)	Hours
Chairman	Nita Ing	December 3, 2021	Securities & Futures Institute	Becoming the Key to the Sustainable Enterprise: ESG Practices	3
			Securities & Futures Institute	Board Cyber security training	3
Director	Jing-Lung Huang	September 1, 2021	Financial Supervisory Commission	13 th Taipei Corporate Governance Forum (morning and afternoon session)	6
		December 3, 2021	Securities & Futures Institute	Becoming the Key to the Sustainable Enterprise: ESG Practices	3
			Securities & Futures Institute	Board Cyber security training	3
Director	Chin-Shan Chiang	September 1, 2021	Financial Supervisory Commission	13 th Taipei Corporate Governance Forum (morning session)	3
		December 3, 2021	Securities & Futures Institute	Becoming the Key to the Sustainable Enterprise: ESG Practices	3
			Securities & Futures Institute	Board Cyber security training	3
Director	John T. Yu	May 5, 2021	Taiwan Institute for Sustainable Energy	Training Program for Corporate Sustainable Development	3
		July 29, 2021	Taiwan Institute for Sustainable Energy	25 th CEO Lecture and Project Speech	2
		August 3, 2021	Taiwan Corporate Governance Association	Fully Ignite the Digital Resistance of Enterprises –Emergency Management and Response from the Perspective of Blackmailing Viruses	3
Independent Director	Robert Hung	September 1, 2021	Financial Supervisory Commission	13 th Taipei Corporate Governance Forum (morning session)	3
		December 3, 2021	Securities & Futures Institute	Becoming the Key to the Sustainable Enterprise: ESG Practices	3
			Securities & Futures Institute	Board Cyber security training	3

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Job title	Name	Date of Training	Organizer	Program(s)	Hours
Independent Director	Sean Chao	August 24, 2021	Taiwan Corporate Governance Association	Aspects of Directors' and Supervisors' Responsibilities – Corporate Governance from the Perspective of the KY Case	3
		September 1, 2021	Accounting Research and Development Foundation	Trend and Corresponding Strategies for ESG Sustainable Finance	3
		December 7, 2021	Taiwan Stock Exchange	2021 Cathay Sustainable Finance and Climate Change Summit	3
Independent Director	Rex Yang	September 1, 2021	Financial Supervisory Commission	13 th Taipei Corporate Governance Forum (morning session)	3
		December 3, 2021	Securities & Futures Institute	Becoming the Key to the Sustainable Enterprise: ESG Practices	3
			Securities & Futures Institute	Board Cyber security training	3
Corporate Governance Officer	Chao-Cheng Tsai	March 19, 2021	Taiwan Corporate Governance Association	Directors' Right to Information from the Aspect of Information Provision	3
		March 26, 2021	Securities & Futures Institute	Analysis on Non-Arm's Length Transaction of Director and Supervisors and Case Study	3
		April 8, 2021	Taiwan Corporate Governance Association	Legal Risks for Directors and Supervisors and Countermeasures from the Perspective of Significant Corporate Fraud	3
		April 13, 2021	Taiwan Academy of Banking and Finance	Analysis on Actual Cases of Directors' and Supervisors' Criminal Responsibilities	3
		September 1, 2021	Financial Supervisory Commission	13 th Taipei Corporate Governance Forum	3
		December 3, 2021	Securities & Futures Institute	Becoming the Key to the Sustainable Enterprise: ESG Practices	3
Securities & Futures Institute	Board Cyber security training		3		

2. The Company continues to reinforce its corporate governance operations; for the investor relations section on the corporate website, the Company established relevant rules for corporate governance and provide material resolutions made by the Board for investors' reference.
3. **Procedures for handling material inside information**
The Company has implemented "Procedures for handling materials inside information" to establish a sound mechanism for the handling and disclosure of material inside information. The Procedures have been announced and made accessible internally, and apply to all directors, supervisors, managerial officers, and employees of the Company, and any other person who acquires knowledge of the Company's material inside information due to their position, profession, or relationship of control. The Company has also conducted educational campaigns or training programs to promote the awareness of these procedures and relevant laws and regulations.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<9> Implementation of the Company's internal control system

1. A statement of Internal Control

TSRC Corporation A statement of Internal Control

Date: March 10, 2022

In accordance with the result of self-evaluation of the internal control system in 2021, the Company hereby declares as follows:

1. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of Directors and managerial officers, and that the Company has already established such a system. The purpose is to provide reasonable assurance regarding the achievement of objectives such as the effectiveness and efficiency of business operations (including profitability, performance, and security of assets), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and by laws.
2. There is limitation inherent to internal control system, no matter how perfect the design is. As such, effective internal control system may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls system. The internal control system of the Company features the self-monitoring mechanism. Once identified, any shortcomings will be corrected immediately.
3. The Company judges the effectiveness of the internal control system in design and enforcement in accordance with the "Criteria for the Establishment of Internal Control System of Public Offering Companies" (hereinafter referred to as "the Criteria") promulgated by the Securities and Futures Commission of the Ministry of Finance. The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control system. There are five components of effective internal control as specified in the Criteria with which the procedure for effective internal control is composed by five elements, namely, 1. Control Environment 2. Risk Evaluation 3. Control Operation 4. Information and Communication and 5. Monitoring. Each of the elements in turn contains certain audit items, and shall be referred to the Criteria for detail.
4. The Company has adopted the above criteria for the internal control system to assess the effectiveness of the design and operation of its internal control system.
5. In accordance with the aforesaid evaluation result, the Company believes that the internal control system as of December 31, 2021 (supervision and management over subsidiaries), including understanding the effect of operation, the attainment rate and report of the efficiency goal are reliable, timely, and transparent, and the design and implementation of the internal control system are in compliance with the regulations and effectively and reasonably ensure the attainment of the aforesaid goals.
6. This statement of declaration shall form an integral part of the annual report and prospectus on the Company and will be announced. If there is any fraud, concealment and illegal practice discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.
7. This statement of declaration has been approved by the Board on March 10, 2022 with presence of 7 directors at unanimous consent.

TSRC Corporation

Chairman: Nita Ing

CEO: Joseph Chai

2. Hiring CPA to carry on a special audit of the internal control system: No

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<10> If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices: no

<11> The important resolutions made by shareholders' regular meetings and board of directors' meeting in 2021 and until the annual report being published.

1. The important resolutions made by shareholders' regular meetings in 2021	The status of implementation
(1) To adopt the 2020 Business Report and Financial Statements	Resolutions adopted.
(2) To adopt the 2020 earnings distribution	Resolved, by the Board of Directors, to set August 31, 2021 as the ex-dividend date for the distribution of cash dividends of NT\$0.36 per share and the payment date is September 15, 2021.
(3) Election of the 17 th session of the Company's Directors	Became effective after the resolution was made at the shareholders' meeting
(4) Release the non-competition restriction on the 17 th session of the Company's Directors	Became effective after the resolution was made at the shareholders' meeting

2. Important resolutions made by board of directors' meetings	
Date	Important resolutions
May 6, 2021	Resolved to approve the financial report for the 1st quarter of FY2021.
August 3, 2021	Resolved to approve the financial report for the 2nd quarter of FY2021.
August 4, 2021	Elect Director Nita Ing as the Chairman List of newly elected members of the Audit Committee and Remuneration Committee.
November 4, 2021	Resolved to approve the financial report for the 3rd quarter of FY2021. Resolved to pass the change in the chief accountant of the Company.
March 10, 2022	Resolved to adopt the consolidated financial statements for FY2021. Resolved to adopt the 2022 annual meeting of shareholders. Resolved to adopt the earnings distribution for FY2021.

<12> Whether any director or supervisor has shown dissent against any important resolution made by the Board of Directors, which is also included in a written statement or recorded resolution in 2020 and until the annual report being published : None

<13> In the year of 2020 and as of the date of publication, the resignation and dismissal of the Company's chairman, chief executive officer, chief of accountant, chief financial officer, chief of internal audit, chief of corporate governance and chief of research and development:

December 31, 2021

Job title	Name	Date of accede	Date of discharge	Reason of resignation or dismissal
Chief Accountant	Ming-Huang Chen	July 1, 2013	November 5, 2021	Retirement

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC' s audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

V. Information regarding TSRC' s audit fees

<1> Information about audit fee and non-audit fee paid to CPA and the accounting firm, and its affiliates:

Unit: thousand NTD

Name of the accounting firm	Name of the CPA	CPA's audit period	Audit fee	Non-audit fee					Total	Remarks
				System design	Industrial & commercial registration	Human resource	Other	Subtotal		
KPMG Taiwan	Ming Hung Huang	January 1, 2021 to December 1, 2021	8,405	0	13	0	870	883	9,288	Others under the non-audit fees are primarily taxation certification fees and certification fees directly deducted from the business tax.
	Lin Wu									

<2> The audit fees paid for the fiscal year with accounting firm changed has decreased compared to the previous year : Not applicable

<3> If the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more : Not applicable

VI. Information on replacement of CPA-None

VII. Chairman, president, or managers in charge of the Company's finance or accounting matters has in the most recent year held a position at the accounting firm or any of its affiliated Company-None

VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements

Job title	Name	2021		As of March 20, 2022	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman	Nita Ing	-	-	-	-
Director	Wei-Dar Development Co., Ltd.	-	-	-	-
Corporate representative of the director	Nita Ing	-	-	-	-
Corporate representative of the director	Jing-Lung Huang	-	-	-	-
Director	Han-De Construction Co., Ltd.	-	-	-	-
Corporate representative of the director	Chin-Shan Chiang	-	-	-	-
Corporate representative of the director	John T. Yu	-	-	-	-
Independent Director	Robert Hung	-	-	-	-
Independent Director	Sean Chao	-	-	-	-
Independent Director	Rex Yang	-	-	-	-
CEO	Joseph Chai (Note1)	-	-	-	-
Sr. Vice President	Wing-Keung Hendrick Lam	-	-	-	-
Vice President	Edward Wang	-	-	-	-

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Job title	Name	2021		As of March 20, 2022	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Vice President	Qiwei Lu	-	-	-	-
Vice President	Kevin Liu	-	-	-	-
Vice President	Chi-Wei Hsu	-	-	-	-
Vice President	De-Bei Wang	-	-	-	-
Corporate Governance Officer	Chao-Cheng Tsai (Note2)	-	-	-	-

Note 1: Holding shares in the name of others.

Note 2: Newly elected of March 12, 2021

Information on the transfer or pledge of equity interests:

The counterparty in the above transfer or pledge of equity interests by a director, managerial officer, or major shareholder is not a related party. Therefore, no information disclosure is required.

IX. Disclosure of Interrelationship among top 10 largest shareholders

August 31, 2021

Name	Share(s) held personally		Shares currently held by their spouses and children of minor age		Shares held in another person's name		Names and relationship of any of the top ten shareholders and their spouses or relatives of 2nd degree of relationship who are related defined in the Statement		Remarks
	Share (s)	(%)	Share (s)	(%)	Share (s)	(%)	Name/name	Relationship	
Panama Banco industrial Company	69,524,417	8.41	0	-	0	-	Han-De Construction Co., Ltd. Wei-Dar Development Co., Ltd. Tamerton Group Limited Miriton Investment Corporation	Related-party	
Han-De Construction Co., Ltd. Jing-Lung Huang	63,093,108	7.64	0	-	0	-	Wei-Dar Development Co., Ltd.	Chairman of the same person	
							Panama Banco industrial Company Wei-Dar Development Co., Ltd. Tamerton Group Limited Miriton Investment Corporation	Related-party	
Wei-Dar Development Corporation Chairman: Jing-Lung Huang	53,708,923	6.50	0	-	0	-	Han-De Construction Co., Ltd.	Chairman of the same person	
							Panama Banco industrial Company Han-De Construction Co., Ltd. Tamerton Group Limited Miriton Investment Corporation	Related-party	
FORMOSA PETROCHEMICAL CORPORATION Responsible person: Po-Lang Chen	41,201,000	4.99	0	-	0	-	No	No	

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

- I. Company's organization
- II. Information on Board of Directors and Presidents
- III. The remuneration of directors and major managers
- IV. Status of corporate governance implementation
- V. Information regarding TSRC's audit fees
- VI. Information on replacement of CPA
- VII. Chairman, president, or managers in charge of the Company's finance or accounting matters in the most recent year held a position at the accounting firm or any of its affiliated companies
- VIII. Information on directors, managers and shareholders holding more than 10% of outstanding shares transfer equity or equity pledge movements
- IX. Disclosure of Interrelationship among top 10 largest shareholders
- X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Name	Share(s) held personally		Shares currently held by their spouses and children of minor age		Shares held in another person's name		Names and relationship of any of the top ten shareholders and their spouses or relatives of 2nd degree of relationship who are related defined in the Statement		Remarks
	Share (s)	(%)	Share (s)	(%)	Share (s)	(%)	Name/name	Relationship	
Tamerton Group Limited	34,578,143	4.19	0	-	0	-	Panama Banco industrial Company Han-De Construction Co., Ltd. Wei-Dar Development Co., Ltd. Miriton Investment Corporation	Related-party	
Fubon Life Insurance Co., Ltd. Chairman: Richard M. Tsai	33,435,000	4.05	0	-	0	-	No	No	
Hao Ran Foundation	28,171,319	3.41	0	-	0	-	No	No	
Cathay Life Insurance Co. Ltd. Responsible person: Tiao-Huei Huang	24,920,000	3.02	0	-	0	-	No	No	
Miriton Investment Corporation	14,151,148	1.71	0	-	0	-	Panama Banco industrial Company Han-De Construction Co., Ltd. Wei-Dar Development Co., Ltd. Tamerton Group Limited	Related-party	
CITI Bank Taiwan branch in custody for Government of Singapore Investment Fund	13,149,050	1.59	0	-	0	-	No	No	

X. Equity investment and shareholding information held by the Company, its directors, managers and directly/indirectly owned subsidiaries

Unit: shares; %

Investees (Note)	Investment by the Company		Investment by directors, managers and enterprises directly or indirectly controlled by the Company		Total investment	
	Share(s)	(%)	Share(s)	(%)	Share(s)	(%)
Trimurti Holding Corporation	86,920,000	100.00	-	-	86,920,000	100.00
Hardison International Corporation	3,896,305	100.00	-	-	3,896,305	100.00
Dymas Corporation	1,161,004	19.48	4,798,566	80.52	5,959,570	100.00
TSRC (Vietnam) Co., Ltd.	Not applicable	100.00	-	-	Not applicable	100.00

Note: Long-term investments accounted for using the equity method.

[Home page](#)

[Table of Contents](#)

[Letter to the Shareholders](#)

[Company profile](#)

[Corporate governance report](#)

[Information on capital raising activities](#)

- I. Capital and shares
- II. Corporate Bonds Status
- III. Preferred stocks Status
- IV. Global depository receipts Status
- V. Employee stock warrants Status
- VI. Restricted Stock Awards Status
- VII. Status of issuance of new shares for mergers or acquisitions of other companies
- VIII. Status of capital utilization

[Overview of business operations](#)

[Overview of financial status](#)

[Review and analysis of the Company's financial position and financial performance, and risk management](#)

[Special items to be included](#)

[Other disclosures](#)

[Any circumstances referred to in Paragraph 3\(2\) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities](#)

Information on capital raising activities

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

- I. Capital and shares
- II. Corporate Bonds Status
- III. Preferred stocks Status
- IV. Global depository receipts Status
- V. Employee stock warrants Status
- VI. Restricted Stock Awards Status
- VII. Status of issuance of new shares for mergers or acquisitions of other companies
- VIII. Status of capital utilization

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

I. Capital and shares

<1> Source of capital stock

March 20, 2022

Year/ month	Issue price (NTD)	Authorized stock capital		Paid-in capital		Remarks		
		Shares(s) (1,000 shares)	Amount (NTD1,000)	Shares(s) (1,000 shares)	Amount (NTD1,000)	Source of stock capital	Property other than cash offset against capital	Other
July 1973	10	20,000	200,000	5,100	51,000	Incorporation of Company		
June 1974	10	20,000	200,000	13,200	132,000	Increase of NTD 51,000,000	Technical cooperation remuneration transferred to capital stock NTD 30,000,000	
February 1975	10	20,000	200,000	20,000	200,000	Increase of NTD 61,928,000	Technical cooperation remuneration transferred to capital stock NTD 6,072,000	
November 1975	10	40,000	400,000	30,000	300,000	Increase of NTD 100,000,000		
December 1975	10	40,000	400,000	40,000	400,000	Increase of NTD 100,000,000		
July 1976	10	60,000	600,000	50,000	500,000	Increase of NTD 100,000,000		
April 1977	10	60,000	600,000	54,000	540,000	Increase of NTD 40,000,000		
July 1980	10	110,000	1,100,000	73,238	732,380	NTD 14,000,000 transferred from earnings NTD 52,380,000 transferred from capital		
September 1981	10	110,000	1,100,000	92,300	923,000	Increase of NTD 16,980,000 NTD 173,640,000 transferred from earnings		Issue date: May 18,1981
April 1982	10	120,000	1,200,000	116,000	1,160,000	Increase of NTD 135,470,000 NTD 101,530,000 trans- ferred from capital		Listed date: September 25, 1982
October 1983	10	121,800	1,218,000	121,800	1,218,000	NTD 58,000,000 transferred from capital		
September 1984	10	145,000	1,450,000	127,890	1,278,900	NTD 60,900,000 transferred from capital		
August 1985	10	145,000	1,450,000	140,679	1,406,790	NTD 63,945,000 transferred from earnings NTD 63,945,000 transferred from capital		
September 1986	10	164,200	1,642,000	164,200	1,642,000	Increase of NTD 80,463,000 NTD 119,577,000 transferred from earnings NTD 35,170,000 transferred from capital		
July 1987	10	201,966	2,019,660	201,966	2,019,660	NTD 344,820,000 transferred from earnings NTD 32,840,000 transferred from capital		
August 1988	10	238,319	2,383,199	238,319	2,383,199	NTD 363,539,000 transferred from earnings		

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

- I. Capital and shares
- II. Corporate Bonds Status
- III. Preferred stocks Status
- IV. Global depository receipts Status
- V. Employee stock warrants Status
- VI. Restricted Stock Awards Status
- VII. Status of issuance of new shares for mergers or acquisitions of other companies
- VIII. Status of capital utilization

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Year/ month	Issue price (NTD)	Authorized stock capital		Paid-in capital		Remarks		
		Shares(s) (1,000 shares)	Amount (NTD1,000)	Shares(s) (1,000 shares)	Amount (NTD1,000)	Source of stock capital	Property other than cash offset against capital	Other
August 1989	10	274,068	2,740,679	274,068	2,740,679	NTD 357,480,000 transferred from earnings		
October 1991	10	306,956	3,069,560	306,956	3,069,560	NTD 328,881,000 transferred from earnings		
August 1995	10	550,000	5,500,000	369,700	3,697,000	NTD 627,440,000 transferred from earnings		
July 1997	10	550,000	5,500,000	502,900	5,029,000	NTD 1,332,000,000 transferred from earnings		
July 1998	10	750,000	7,500,000	580,487	5,804,870	NTD 775,870,000 transferred from earnings		Authorized stock capital in- cludes convert- ible corporate bonds totaling 100 million shares
July 1999	10	750,000	7,500,000	609,511	6,095,114	NTD 290,244,000 transferred from earnings		June 29, 1999 Approved by the official letter under (88) Tai- Tsai-Cheng (1) No. 59287
June 2006	10	750,000	7,500,000	649,909	6,499,095	NTD 403,981,000 transferred from earnings		Approval by let- ter under Chin- Kuan-Cheng- Yi-Tze No. 0950124967 dated June 20, 2006
June 2011	10	900,000	9,000,000	714,900	7,149,004	NTD 649,909,000 transferred from earnings		Approval by let- ter under Chin- Kuan-Cheng- Yi-Tze No. 1000028593 dated June 22, 2011
June 2012	10	900,000	9,000,000	786,390	7,863,904	NTD 714,900,000 transferred from earnings		Approval by let- ter under Chin- Kuan-Cheng- Yi-Tze No. 1010027239 dated June 19, 2012
June 2014	10	900,000	9,000,000	825,709	8,257,099	NTD 393,195,000 transferred from earnings		Approval by let- ter under Chin- Kuan-Cheng- Yi-Tze No. 1030023928 dated June 25, 2014
June 2019	10	1,200,000	12,000,000	825,709	8,257,099			

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

- I. Capital and shares
- II. Corporate Bonds Status
- III. Preferred stocks Status
- IV. Global depository receipts Status
- V. Employee stock warrants Status
- VI. Restricted Stock Awards Status
- VII. Status of issuance of new shares for mergers or acquisitions of other companies
- VIII. Status of capital utilization

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

March 20, 2022

Type of shares	Authorized stock capital (shares)			Remarks
	Listed Shares	Non-listed shares	Total	
Common stocks	825,709,978	374,290,022	1,200,000,000	
Preferred stocks	-	-	-	

Information related to general report system-Not applicable

<2> Shareholders' structure

August 31, 2021

Quantity	Shareholder's Structure	Government Agencies	Financial Institutions	Other juridical persons	Individual	Foreign Institutions & Natural Persons	Total
Number of persons		4	24	203	77,771	315	78,317
Share(s)		8,204,024	73,226,007	195,030,758	287,798,491	261,450,698	825,709,978
Stake(%)		0.99	8.87	23.63	34.85	31.66	100.00

<3> Diffusion of ownership

Par value NTD10/ August 31, 2021

Range of shares held	Number of shareholders	Shares held	Stake (%)
1- 999	37,750	6,747,044	0.82
1,000- 5,000	29,330	63,488,587	7.69
5,001- 10,000	5,801	43,067,375	5.22
10,001- 15,000	1,962	24,406,422	2.96
15,001- 20,000	1,060	19,183,493	2.32
20,001- 30,000	963	24,103,463	2.92
30,001- 40,000	379	13,349,346	1.62
40,001- 50,000	262	12,020,299	1.46
50,001- 100,000	443	31,494,272	3.80
100,001- 200,000	195	26,606,117	3.22
200,001- 400,000	80	22,116,568	2.68
400,001- 600,000	27	12,777,748	1.55
600,001- 800,000	8	5,329,386	0.64
800,001- 1,000,000	9	7,978,524	0.97
1,000,001 above	48	513,041,334	62.13
Total	78,317	825,709,978	100.00

Preferred stocks shares- The Company does not issue preferred stocks shares.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

- I. Capital and shares
- II. Corporate Bonds Status
- III. Preferred stocks Status
- IV. Global depository receipts Status
- V. Employee stock warrants Status
- VI. Restricted Stock Awards Status
- VII. Status of issuance of new shares for mergers or acquisitions of other companies
- VIII. Status of capital utilization

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<4> Major shareholders

August 31, 2021

Shareholders	Shares	Shares held	Stake (%)
Panama Banco Industrial Company		69,524,417	8.41
Han-De Construction Co., Ltd.		63,093,108	7.64
Wei-Dar Development Corporation .		53,708,923	6.50
Formosa Plastics Marine Corporation		41,201,000	4.99
Tamerton Group Limited		34,578,143	4.19
Fubon Life Insurance Co., Ltd.		33,435,000	4.05
Hao Ran Foundation Statutory		28,171,319	3.41
Cathay Life Insurance Co. Ltd.		24,920,000	3.02
Miriton Investment Corporation		14,151,148	1.71
CITI bank Taiwan branch in custody for Government of Singapore Investment Fund		13,149,050	1.59

<5> Share price, net worth per share, EPS, dividends per share and related information

Unit: NTD

Item	Fiscal year	2021	2020	As of March 20,2022	
Market price per share	Maximum	43.90	24.30	41.10	
	Minimum	19.50	12.90	32.80	
	Average	30.67	18.94	36.78	
Net worth per share	Before distribution	21.83	17.12	-	
	After distribution	19.43(Note 1)	16.76	-	
Earnings per share	Weighted average share(s)	825,709,978	825,709,978	825,709,978	
	EPS	Before adjustment	4.76	(0.03)	-
		After adjustment	4.76(Note 1)	(0.03)	-
Dividends per share	Cash dividend (Note 1)	2.40	0.36	-	
	Dividends (Note 1)	Dividend distributed from earnings	0	0	-
		Dividend distributed from additional paid-in capital	-	-	-
	Cumulative outstanding dividends(Note 2)	-	-	-	
Cash dividend yield	Price-earnings (P/E) ratio (Note 3)	6.44	-	-	
	Price-dividend (P/D) ratio(Note 4)	12.78	52.61	-	
	Cash dividend yield(Note 5)	7.83	1.90	-	

Note 1: The amount decided by the board of directors on March 10, 2022.

Note 2: Requirements for issue of securities provide that the unappropriated dividends in the current year may be cumulative and distributed in the year of earnings, and only the outstanding cumulative dividends in the current year shall be disclosed.

Note 3: P/E ratio=yearly average closing price per share/EPS

Note 4: P/D ratio=yearly average closing price per share/Cash dividend per share

Note 5: Cash dividend yield=cash dividend per share/yearly average closing price per share

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

- I. Capital and shares
- II. Corporate Bonds Status
- III. Preferred stocks Status
- IV. Global depository receipts Status
- V. Employee stock warrants Status
- VI. Restricted Stock Awards Status
- VII. Status of issuance of new shares for mergers or acquisitions of other companies
- VIII. Status of capital utilization

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<6> Company Dividend Policy and Implementation

1. Dividend policy

The synthetic rubber industry that the Company participates in is a mature industry, and the Company is striving towards globalization and diversification in products and applications. To comply with the Company's long-term plans and to ensure sustainable growth, the Company has established the following dividend policies: After the annual fiscal closing, the Company shall, after losses are covered, all taxes and dues paid, first set aside ten percent of such profits as legal or special reserve. The remaining earnings after adjustment, the beginning retained earnings, are the distributable earnings to be distributed by a resolution proposed by the board of directors and adopted by the shareholders' meeting. Cash dividends may be distributed by a resolution adopted by a majority vote of a meeting of the board of directors attended by two-thirds or more of all the directors. The board's resolution should be reported to the shareholders meeting.

If the Company allocates dividends for shareholders, the cash dividend shall exceed twenty percent of the total allocated amount.

2. Distribution of dividends scheduled at the shareholders' annual meeting

Cash dividends to be distributed are NTD 2.4 per share.

<7> Effect upon business performance and EPS of stock dividend distribution plans drafted at the shareholders' annual meeting: Not applicable.

<8> Employees' compensation and directors' remuneration

1. In accordance with the Article 28-1 of the Company's articles of incorporation, if there is profit for the year, the Company should contribute more than 1% of its profit as employees' compensation, and less than 1% as directors' remuneration. The related regulations on distribution of employees' compensation and directors' remuneration were approved by the board of directors.
2. The amount of the employee's compensation in 2021 is estimated at a certain ratio according to the profit and loss of the current year. The remuneration of the director is accounted for by the expected amount. If there is a discrepancy between the above-estimated amount and the actual issued amount, it will be treated according to the changes in accounting estimates and recorded in the year of issuance.
3. Board of Director Resolutions on Compensations:
 - (1) According to the resolution made at the 5th meeting of the 17th Board, the employees' remuneration in cash for 2021 is NT\$171,609 thousand; according to the resolution made at the 6th meeting of the 17th Board, the Directors' remuneration for 2021 is NT\$22,677 thousand; the amounts are in line with the estimated amounts during the year of recognition.
 - (2) The Company does not distribute employees' remuneration in stock before 2021.
4. The actual distribution of the remunerations of employees, Directors, and supervisors for the preceding year: In 2020, the Company distributed remunerations of employees in cash of NT\$40,750 thousand and remunerations of Directors in cash of NT\$616 thousand; the amounts are in line with the estimated amounts during the year of recognition.

<9> Share repurchases: None

II. Corporate bonds - None

III. Preferred shares - None

IV. Global depository receipts - None

V. Employee stock warrants - None

VI. Restricted Stock Awards Status - None

VII. Status of issuance of new shares for mergers or acquisitions of other companies - None

VIII. Status of capital utilization - None

[Home page](#)

[Table of Contents](#)

[Letter to the Shareholders](#)

[Company profile](#)

[Corporate governance report](#)

[Information on capital raising activities](#)

Overview of business operations

- I. Business overview
- II. Market overview and production/sales analysis
- III. Employees information
- IV. Disbursements of environmental protections
- V. Labor relations
- VI. Cybersecurity Management
- VII. Material contracts

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Overview of business operations

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

- I. Business overview
- II. Market overview and production/sales analysis
- III. Employees information
- IV. Disbursements of environmental protections
- V. Labor relations
- VI. Cybersecurity Management
- VII. Material contracts

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

I. Business overview

<1> Business Scope

1. Major business and product lines:

The business focuses on developing, manufacturing and selling various synthetic materials, including:

(1) Synthetic rubber and elastomers: E-SBR, S-SBR, BR and TPE

(2) Applied Materials

2. Product Portfolio

Unit: thousand NTD

Items	Revenue in 2021	Total Turnover(%)
Synthetic rubber and elastomers	31,440,852	96.64
Applied materials	1,092,386	3.36
Total	32,533,238	100.00

3. Planned Developments of New Products

- 1 Continue to develop microstructure control technology for the next generation S-SBR products used in eco-friendly, high performance EV tires.
- 2 Continue research into BR platform, expand product applications, fulfill customer demands for shoe materials and plastic modifications, and increase product performance.
- 3 Develop differentiated HSBC products such as high-end medical grade materials, hygiene product materials, lubricant viscosity modifiers, and other TPE products with high added-value.
- 4 Develop functional film for medical and electronic products to satisfy different customers' needs.

<2> Industry Overview:

1. Global Economic Environment

According to the forecast made by the OECD and the IMF at the end of 2021, the economic growth rate in 2022 would be 4.5% and 4.9%, respectively. Due to the slowdown of the growth in market demand and the exiting of supportive financial and monetary policies worldwide, the global economic growth rate will record a downturn as compared with the preceding year, and inconsistent restoration of development occurred to different economies. With central banks of major economies making adjustments to their monetary policies, global supply chains encounter the bottleneck and inflation, intensified geopolitics, and the variation of COVID-19, such factors will determine the development in the global market.

Since the beginning of the pandemic, the U.S.A. has been adopting easy monetary policies to stabilize the economic impacts brought by the outbreak; however, the scale of the Fed's balance sheet exceeded US\$8.7 trillion at of the beginning of 2022. With the exit of the QE policy in the U.S.A., the market generally expects that the Fed will announce the increase in interest rates in 2022. BoE has become the first among the G7 central banks to increase the interest rate at the end of 2021 to cope with the inflation. However, ECB maintained its easy monetary policies, and the financial expenditures in the Euro region remained high to continue supporting its economic growth. Mainland China made a downward adjustment to the reserve requirement ratio of financial institutions at the end of 2021, which was deemed as a signal that the government will continue adopting the eased financial and monetary policies by the market; however, attentions shall be attached to the effects of the Chinese government adopting zero tolerance policy on the economy. Looking into 2022, the economy and overall development in Taiwan will continue thriving; however, as the base period for comparison is slightly higher, the expected economic growth slowed down. According to the latest forecast issued by the Taiwan Institute of Economic Research in November 2021, the GDP growth rate in 2022 will be 4.1%, lower than 6.1% in 2021.

In 2021, the global oil price increased over 50% from the end of 2020. OPEC estimated that the oil price will continue to rise in 2022; the shortage of energy supply, the increasingly explicit energy transition policies and measures related to carbon emissions payment rolled out by countries are expected to keep the energy price up in the short term,

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

- I. Business overview
- II. Market overview and production/sales analysis
- III. Employees information
- IV. Disbursements of environmental protections
- V. Labor relations
- VI. Cybersecurity Management
- VII. Material contracts

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

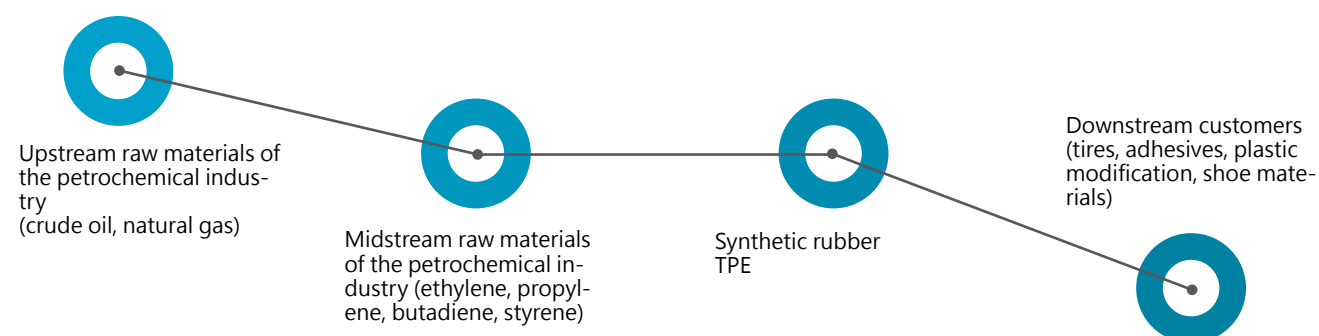
Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

intensifying the concerns for inflation in different regions. As the turbulent geopolitics affecting the regional energy prices and the stability of supply, other events, such as the RCEP became effective in 2022, the intensified military conflicts between NATO and Russia, and the continual US-China trade war, and changes in the international situation will potentially affect the development of the global economy.

On the COP26 at the end of 2021, there were over 40 countries executed the carbon dioxide reduction agreement. The low-carbon economy transition worldwide in response to the threat of climate change has become an irreversible trend. Meanwhile, due to the ESG investing the grew rapidly since 2020 and the improvement in consumers' environmental protection awareness, enterprises commit to reducing the impacts of their operating activities on the environment and increasing the investments in products or service innovation related to the green economy and circular economy. In terms of mid-to-long-term development, national policies, market trends, and social participations will continue to promote the ESG development, which will also bring new opportunities and challenges to enterprises.

2. **Relevance of the industry's upstream, midstream and downstream:**



Upstream raw materials of the industry are crude oil and natural gas. Midstream raw materials refer to raw materials produced by cracking "petrochemical primary raw materials" e.g. naphtha, followed by reactions such as polymerization, oxidation, and synthetization. The downstream of petrochemical industry processes midstream raw materials to produce plastics, chemical fibers, rubbers, and other chemical products such as tires, plastic modification, adhesives, shoe materials and other industrial goods.

3. **Current Industry Status and Outlook:**

The demand for the global automobile industry recovered rapidly in 2021, bringing about the strong market growth. Even though affected by the shortage of automotive chips in the second half of the year, LMC estimated that the global sales of automobile would be approximately 81.94 million vehicles, representing a growth rate of 5.4% as compared to 2020. The Chinese market recovered relatively earlier than other regions worldwide. According to the China Association of Automobile Manufacturers, it is estimated that the sales of automobiles in China in 2021 will be approximately 26.28 million vehicles, representing a growth rate of 3.8% as compared to the sales volume in 2020.

Benefiting from the rapid recovery of demands, the demand for synthetic rubber grew by approximately 7% worldwide in 2021. The exit of partial suppliers and the congestion of the global transportation supply chain resulted in the short supply of synthetic rubber, giving rise to the requirements of customers in local supply. Through the pre-emptive preparedness through production scheduling and logistic plans, and adjustment of production line across regions, TSRC managed to stable supply under the strained supply chain, and worked closely with customers in terms of supply, technical services, transportation, and cost management, further reinforcing its competitive strength.

Looking into 2022, even though the economic recovery pace is slower than 2021, the markets generally maintain positive, and the strained supply chain would slightly be relieved. However, the freight is unlikely to return to the level before the epidemic. Inflation, increasingly stringent environmental safety and health regulations, and the increase in the carbon dioxide emission costs will intensify challenges faced by enterprises.

For the application of synthetic rubber, the demand for tires in 2022 will maintain its growth in accordance with the global car demand; it is expected that the market will continue to grow. For the synthetic rubber business, the Company will continue developing green energy-saving tire materials and expand non-tire applications to strengthen its core competitive strength. Sufficient new production capacities will continue to be released for the TPE industry; in particular, there will be more "refining-chemical integrated" petroleum businesses purchasing downstream auxiliary devices for commercial operations in the following three to five years in Mainland China; it is expected that the supply will increase significantly, and the space for profitability will shrink. Developing high-value products, improving market competitive strength, and grasping changes and new opportunities brought by ESG (environment, social, and governance) and the green economy will be the challenges to test companies' decision-making, judgement, and operational execution capacities

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

- I. Business overview
- II. Market overview and production/sales analysis
- III. Employees information
- IV. Disbursements of environmental protections
- V. Labor relations
- VI. Cybersecurity Management
- VII. Material contracts

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

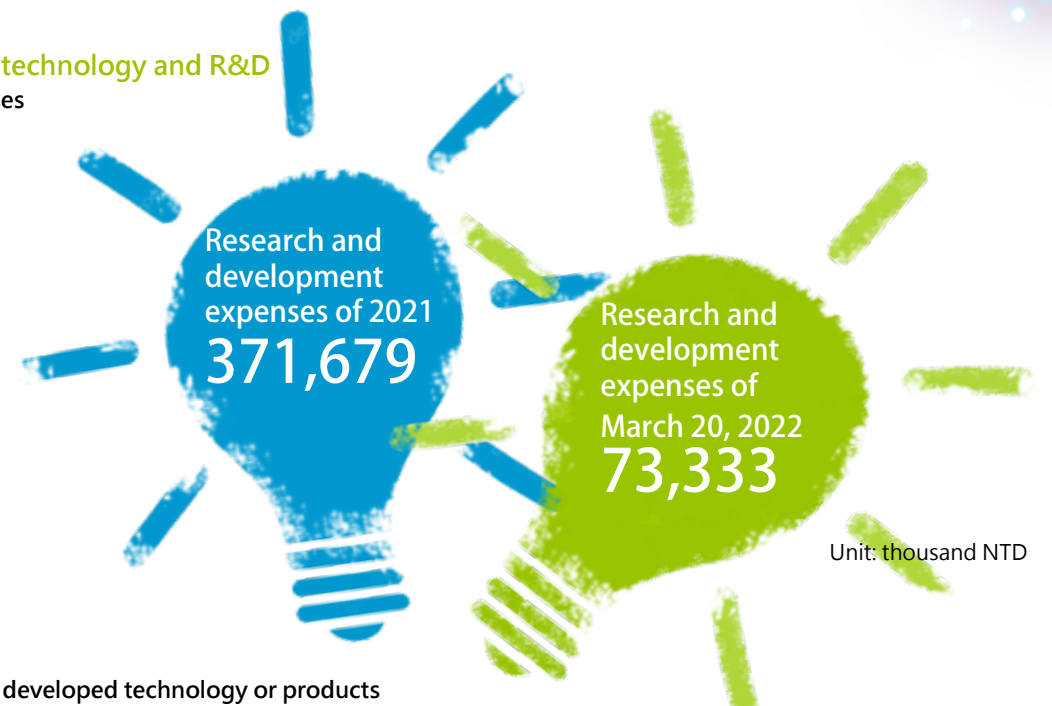
Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<3> Overview of technology and R&D

1. R&D expenses



2. Successfully developed technology or products

Item	Result
Patents	<ul style="list-style-type: none"> · There are 16 patents granted for this year.
Establishment of the Global R&D Center in Texas, the U.S.A.	<ul style="list-style-type: none"> · The Global R&D Center is the second multi-functional R&D facility, the first R&D center outside Taiwan of TSRC worldwide; it provides the strategic positioning of TSRC and strengthens our innovation ability and global layout to effectively support our global customers located in the European and American market, facilitating the growth in the polymer's performances. · The Global R&D Center will focus on the product development of SBC, including polymer structures, functionalized design, process technology development, terminal utilization, and customer technical services. Combined with the global technical capacity of TSRC, it will focus on application markets of medical level materials, sanitary supplies, adhesives, thin film, asphalt modification, and elastic non-woven fabric.
S-SBR Products	<ul style="list-style-type: none"> · We have successfully optimized the quality for the existing products, introduced modification technologies to successfully reduce costs, and acquired more orders. · Our customized products have been certified by the factories of major international brands worldwide and are now available in mass production. · New generation products have been tested by the major brands and are available for sale.
High value HSBC product development	<ul style="list-style-type: none"> · We have completed the development of medical grade materials and have provided to our customers for testing. · We developed materials for hygiene products, such as elastic film and elastic non-woven fabric, which are used in diapers, masks and hygiene care products; some of the products are now available for sale. · The development of lubricant viscosity modifier for vehicle use has been completed, the products meet the performance requirements and have been provided to major manufacturers for certification.
New material for high performance customized shoes	<p>Foaming:</p> <ol style="list-style-type: none"> (1) We made use of SIFT to develop the 2nd generation insole, and the physical property are recognized by international brands. (2) We made use of the high bouncing foaming materials in middle sole, which was recognized by international brands and commercialized
Blending materials for medical use	<ul style="list-style-type: none"> · We made use of the medical grade HSBC material and successfully developed the compound formula of films, tubes, and rubber plugs used by transfusion systems; partial new marks have gained the recognition from customers in the Pan Asia region and put into trial mass production.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

- I. Business overview
- II. Market overview and production/sales analysis
- III. Employees information
- IV. Disbursements of environmental protections
- V. Labor relations
- VI. Cybersecurity Management
- VII. Material contracts

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Item	Result
Special film application	<ul style="list-style-type: none">· We developed a series of formulas with features comparable with leading companies; we commenced the commercial operations for partial formulas one after another, and such formulas are being certified by global leading companies.
Blending materials for special applications	<ul style="list-style-type: none">· Developed generation 1 and generation 2 shoe materials, which were recognized by the international brands and commercialized.
Development of top-notch process technologies	<ul style="list-style-type: none">· Completed the design of the new reactor and upgraded the technologies comprehensively. Meanwhile, we achieved more favorable production and energy-saving efficiency; in the future, such features will be introduced to the building design of new plants.· Completed the reformation of small-scale commercialized plants and improved the product quality and stability.

<4> Long-Term and Short-Term Business Development Plans

To realize High-Value transformation and in response to the increasing global awareness of ESG, the Company's major R&D direction will focus on developing new products and new technologies with high added-values by using advanced environmental protection process, to allow products and services of the Company to gain customers' satisfaction and solve all issues of customers arising from the use of rubber, creating the niche for mutual benefits. The substantial development plan includes:

1. Long-term plan:

- (1) Continue reinforcing the technology platform and customer development and establish differentiated competitive strength; combine the development of downstream industries and customers' requirements to develop application products with high added-values, including EV tire materials, high-end shoe materials, medical grade TPE, protection films, and elastic non-woven fabric, so as to improve the diversity of our product profile and enter the new segregation market for application.
- (2) Target key end-market applications and collaborate with customers' R&D teams to jointly develop high-value innovative products, serving as a total solution provider for the customers.
- (3) Upgrade manufacturing equipment and the utilization of raw materials to improve production efficiency and optimize production costs.
- (4) Continue examining synthetic rubber market dynamics and customer needs while exploring opportunities in new products, market, and applications, and evaluate opportunities of upstream and downstream strategic alliances.
- (5) Offer local supply and customer services for target market industries and supply chain in order to strengthen TSRC's market position and expand customer base.
- (6) Expand our global layout and accelerate the development and product commercialization of specialty chemical applications through the newly established Global R&D Center in Texas, the U.S.A.
- (7) Evaluate the possibility of using bio-feeds, dissoluble packaging materials, and other environmental-friendly materials in product process and increase the use ratio of renewable energy and the recycle ratio of water.
- (8) Continue the technical exchanges and collaboration with academia and customers to enhance product value or conduct commissioned research under contracts with academia to improve process technology.

2. Short-Term Plan:

- (1) As countries, including the EU, Japan, and China, have promoted the environmental tire label one after another, we formed the S-SBR project R&D team to continue focusing on developing and promoting the S-SBR market with low rolling resistance and wet grip feature; meanwhile, we will reinforce S-SBR and other special synthetic rubber product profiles to respond to the carbon dioxide reduction requirements of customers, securing the recognition from major tire customers and increasing our market share.
- (2) Improve the non-tire applications (i.e., shoe industry) and HIPS sales proportion to diverse market risks and increase profits.
- (3) Comply with the environmental regulations in China and continue to satisfy the requirements of local markets. The production base of Shen Hua will relocate and the expansion of production capacity will be performed; we will continue focusing on the Chinese market and improve our competitiveness.
- (4) Strengthen the Company's market positioning by utilizing the production capacity of the Vietnam Plant and its geographical advantages and enter new regions, including India and Southeast Asia for development; continue expanding our customer base to improve the supply chain benefits.
- (5) Improve the level of production processing for customers and the product value chains through stable quality, close cooperation with customers, supply of High-Value products, and market segregation.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

- I. Business overview
- II. Market overview and production/sales analysis
- III. Employees information
- IV. Disbursements of environmental protections
- V. Labor relations
- VI. Cybersecurity Management
- VII. Material contracts

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

II. Market overview and production/sales analysis

<1> Market Analysis

1. Major sales destinations

Unit: thousand NTD/Metric Ton

Name of product	2021		Exported territories
	Sales volume	Sales amount	
Synthetic rubber and elastomers	535,238	31,440,852	China, U.S.A., Thailand, Vietnam, Germany, Turkey, Japan,
Applied materials	9,887	1,092,386	China, Southeast Asia.

2. Market share:

Synthetic rubber and elastomers	Asia is the major market accounting for 72% of the total sales, while Americas and Eurozone account for 15% and 11% of total sales respectively.
Applied materials	China is the main market accounting for 44% of total sales, followed by Vietnam and Hong Kong with 35% of the total sales.

3. Industry demand supply and market growth projection

As partial competitors' production capacities were used for other products or suspended due to the constant supply over demand in the synthetic rubber industry during recent years, the current supply-demand in the market is reaching a balanced state. In the future, it is estimated that the investment of new production capacity will be minor; together with the fact that the Asia region remains as the region with higher growth regarding the demand for automobiles and tires worldwide, it is estimated that the demand for synthetic rubber will continue to grow. The Company will improve its profitability performances through the optimization of customer and product profiles, order allocations, and production line adjustment.

The economic recovery will promote the applications of footwears, automobiles, consumables, and adhesives, and further push forward the market demand for TPE. However, TPE is still within its peak phase for production expansion, which may lead to the imbalanced demand-supply resulting from the decreasing production capacity utilization rate in the following three years, affecting the space for profits of enterprises. In terms of the long-term trend, the rapid growth in production capacity triggered the commoditization trend and facilitated the products' replacement cycle; the demand-supply relations within the market will face great challenges.

The demand for SBS will increase by 4.2% in 2022. For the supply, under the new production capacity invested by Gulei and Luhua in China and NKNK in Russia, the supply volume will increase by 125,000 MT. With the significant growth in the demand for e-commerce and water-proof applications, and the recovery of demands for adhesives, the global demand for SIS will increase by 4.1%. The supply of SIS has increased by 10,000 MT; within the newly expanded production capacity, Jinhai Chenguang and Luhua both possess the advantage of upstream and downstream integration, and it is estimated that the demand-supply competition will be further intensified. The demand for HSBC will increase by 5%; with Sinopec and Kuraray investing in new production capacity, the global supply will increase by 16,000 MT, making the competition among products with same levels more challenging. For international trade, with the intensified market competition and the technology improvement in China, the import volume of China will be reduced to a lower standard.

4. Competitive positioning, future development factors and actions

E-SBR and BR are mature products that the difference among the products produced by different manufacturers is not significant, and thus the cost of raw materials is the key to profit margins. The Company does not possess upstream integration advantage, so its profitability is greatly affected by the cost of raw material, particularly butadiene. However, since there will be many new butadiene capacity additions in Asia in 2021, the difference of raw material cost between vertically integrated companies and non-vertically integrated companies will narrow, consequently helping the Company to increase sales. Moreover, to capture new sales opportunities, the Company is actively developing tire market in

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

- I. Business overview
- II. Market overview and production/sales analysis
- III. Employees information
- IV. Disbursements of environmental protections
- V. Labor relations
- VI. Cybersecurity Management
- VII. Material contracts

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Southeast Asia and non-tire markets, at the same time expanding its sales in India via its joint venture ISRPL.

The Company has taken actions for immediate impacts and lasting benefits with the objective to increase sales and improve profitability. The Company diversifies its product portfolio and differentiates toward high-value applications to counter competition from new TPE capacity. Furthermore, the Company strengthens its capability in developing higher-end applications and enhancing profitability through the commercialization of its new advanced SEBS line and advanced shoe material production line.

<2> Important application and manufacturing processes of main products

1. Main product important use:

E-SBR	General material for car tires, soles, conveyor belts, hoses, sport facilities, toys and other industrial products.
S-SBR	Energy-saving (low rolling resistance) tires, high-function tires, snow tires and all-season tires.
BR	High-speed tires, soles, sport facilities, High Impact polystyrene (HIPS) and other industrial products.
TPE	Adhesives, hot-melt adhesive, plastic modification, medical firms, and other industrial products for special applications.
Applied Materials	Advanced shoe materials, foamed shoe materials, toys, stationery, wire and cable, baby supplies, personal care, hand tools covering, materials, car industry and other industries such as refrigeration.

2. Outline of production process:

E-SBR	E-SBR is produced in an emulsion polymerization system. Soap is used as the reaction medium and emulsifier for the polymerization of butadiene and styrene to produce high molecular latex. After the addition of anti-oxidant and extender oil (for oil-extended rubber products), the coagulation crumb is then washed, dewatered, dried, baled and packaged.
S-SBR	S-SBR is produced in a solution polymerization system. Butadiene and styrene was polymerized to high molecule weight rubber solution via anionic initiator in organic solvent system. After the addition of anti-oxidant and extender oil (for oil-extended rubber products), the coagulation crumb is then washed, dewatered, dried, baled and packaged.
BR	BR is produced in a solution polymerization system. Crumb is made after polymerization of butadiene (BD), and is condensed into pallets, ash content is washed off and then dewatered and packed.
TPE	TPE is produced in a solution polymerization system. Crumb is made after polymerization of butadiene and styrene after being steamed to recall solvent, it is dewatered, pelleting and then packed.
Applied Materials	TPE products and other raw materials are mixed, blended and granulated.

<3> Supply of main raw materials

The synthetic rubber produced by the Company is mainly polymerized from butadiene and styrene within the petrochemical products.

Item	Main source	Supply situation
Butadiene	Domestic, imports	Domestic butadiene is primarily supplied by CPC and FPCC and imported in the case of the short supply.
Styrene	Domestic	Styrene is primarily supplied by SMCT, FCFC and GPPC

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

- I. Business overview
- II. Market overview and production/sales analysis
- III. Employees information
- IV. Disbursements of environmental protections
- V. Labor relations
- VI. Cybersecurity Management
- VII. Material contracts

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<4> Suppliers (Customers) accounting for 10% or more of the Company's total procurement (sales) amount in either of the most recent two fiscal years, the amounts bought from (sold to) each, and the percentage of total procurement (sales) respectively, and reasons for increase/decrease

There was no supplier or customer accounted for 10% or more of the Company's total purchases or sales value in the most recent two years.

<5> Production volume for the most recent two fiscal years

Unit: thousand NTD/Metric Ton

Product	2021			2020		
	Capacity	Output	Output value	Capacity	Output	Output value
Synthetic rubber and elastomers	586,600	548,218	24,725,605	565,767	506,462	17,666,204
Applied materials	23,731	13,920	874,293	23,910	15,067	582,242
Total	610,331	562,138	25,599,898	589,677	521,529	18,248,446

<6> Volume of units sold for the most recent two fiscal years

Unit: thousand NTD/Metric Ton

Product	2021				2020			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Synthetic rubber and elastomers	357,932	21,016,189	177,306	10,424,663	379,987	17,024,568	140,679	6,149,323
Applied materials	5,780	480,995	4,107	611,391	4,319	371,885	3,311	478,667
Total	363,712	21,497,184	181,413	11,036,054	384,306	17,396,453	143,990	6,627,990

III. Employees information

Year	2021	2020	March 20, 2022
Direct workers	846	861	853
Indirect workers	758	747	772
Total	1,604	1,608	1,625
Average age	41.2 (years old)	40.7 (years old)	41.2 (years old)
Average seniorities	11.4 (years)	10.6 (years)	11.3 (years)

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

- I. Business overview
- II. Market overview and production/sales analysis
- III. Employees information
- IV. Disbursements of environmental protections
- V. Labor relations
- VI. Cybersecurity Management
- VII. Material contracts

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Year		2021	2020	March 20, 2022
Education level (%)	Ph.D.	1%	1%	1%
	Master	14%	13%	14%
	Bachelor	65%	66%	65%
	Senior high school	17%	17%	17%
	Below senior high school	3%	3%	3%

IV. Disbursements of environmental protections

Losses for environmental pollution

	2021	Till March 20, 2022
Pollution (Type and procedure)	Air pollution, waste	No
Counterpart, or authority imposing fines	Kaohsiung Environmental Protection Bureau	No
Compensation and fines	NT\$710,000	No

For the most recent year and as of the date of the annual report, the descriptions of losses incurred due to environment pollution:

No.	No. of Fine Notification	Regulation or Provision Violated	Disposal	Amount of Fine	Countermeasure
1	Kao-Shi-Huan-Ju-Fei-Chu-Zi No.40-110-030035	Paragraph 1, Article 53 of the Waste Disposal Act	In the triplicate form of consigned common processing, control, and delivery of business wastes, the weighing weight of the waste' s(inflammable waste liquid) weight declared by Kaohsiung Plant was inconsistent with the weight declared by the consigned company for processing.	NT\$ 60,000	The actual weighing of waste for the clearing of wastes was executed according to the specifications in the waste contract.
2	Kao-Shi-Huan-Ju-Kong-Chu-Zi No.20-111-030003	Paragraph 1, Article 20 of the Air Pollution Control Act	The testing value of an equipment component in the TPE process (M04) of Kaohsiung Plant exceeded the standards stated in the Standards for the Control and Emission of Volatile Organics in Equipment Component of Kaohsiung City as verified by the Environmental Protection Bureau Kaohsiung City Government.	NT\$450,000	The butadiene system in the process easily leaks the COCK (one-piece threaded ball valve) of VOC; the Company purchased valves (three-piece threaded ball valve) that could pass the test for the VOC leakage volume of 100ppm for replacement.
3	Kao-Shi-Huan-Ju-Kong-Zi No.20-111-030003.4	Paragraph3, Article 22 of the Air Pollution Control Act	The percentage of effective number of monitoring hours in Q3 and Q4 was lower than 85% as the test was not implemented once a week before the completion of the review on the monitoring equipment confirmation report according to the requirement after the replacement of monitoring equipment.	NT\$200,000	From December 2021, the Company has arranged substituting testing schedule to implement the test once a week until the completion of the review on the monitoring equipment confirmation report.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

- I. Business overview
- II. Market overview and production/sales analysis
- III. Employees information
- IV. Disbursements of environmental protections
- V. Labor relations
- VI. Cybersecurity Management
- VII. Material contracts

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

V. Labor relations

<1> Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and measures for preserving employees' rights and interests:

1. Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation:

Regarding welfare measures, besides providing employees with cash gifts for the three major festivals (Dragon Boat Festival, Moon Festival, Chinese New Year), birthday and Labor day through Employee Welfare Committee, the Company also implements "cafeteria benefit", a welfare project for employees to combine the "bonus points" satisfying their own welfare demands, including travel and leisure activities, education subsidy for their children, self-selected group buying of daily supplies from employee welfare club, etc., to truly implement the actual concepts of employee welfare.

As for the insurance, besides labor and health insurance, TSRC also provides free group insurance that covers employees and their family members. As for the labor pension system, TSRC conducts the business in accordance with the Labor Standards Act and labor pension system. TSRC allocates a pension to the pension accounts of employees based on the pension actuarial report provided by actuaries every year. The gap between the estimated pension and actual pension amount for personnel who are qualified for retirement by the end of every year is allocated by March 31 of every year in accordance with the regulations, in order to protect the right of retirement of employees.

TSRC hosts large annual gatherings and galas each year for better employee relationships, gives employees cash gifts for weddings, childbirth, injuries, and allowances for disease; has one nurse for each medical room; and offers medical consultation services with physicians.

Regarding employees' training program, the training plans are set based on the Company's business policies, units' requirements, and relevant laws/regulations. The Company offers general knowledge, professional skills, and management programs for the newly recruited and existing employees. Meanwhile, the "life-time learning" goal is fulfilled through the training methods of OJT, Off-JT and SD. The total training fee in 2021 is NTD 6,593,000, in which the average training fee per person is NTD 4,000 and the training hour per person is 46 hours.

2. Measures for preserving employees' rights and interests:

Since the incorporation of the labor union, the Company has held meetings between employer and labor periodically and negotiated for the laborers' interests and rights through formal meetings. In 2021, the Company held four meetings in total.

Furthermore, according to the Labor Standard Law and Accounting Handling Rules on Pension, the Company will contribute the pension fund to the employees' personal accounts in the Bank of Taiwan and Bureau of Labor Insurance on a monthly basis.

Meanwhile, the "Reserve Labor Pension Fund Supervisory Commission" will hold meetings to review the utilization of pension funds periodically to protect the retired employees' interests and rights.

<2> In 2021 and until the publication date, there is no loss suffered from labor disputes.

<3> Estimated loss suffered by the Company due to labor disputes currently and in the future, and explanation measures

Since the incorporation of the labor union, the relationship between employees and the Company has remained fair through the good interaction and communication. Therefore, no significant dispute over labor has occurred, let alone the loss thereof. Therefore, the Company and employees will abide by the communication models to create a win-win situation when proceeding with communication, and there is no likelihood of any monetary loss resulting from labor dispute.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

- I. Business overview
- II. Market overview and production/sales analysis
- III. Employees information
- IV. Disbursements of environmental protections
- V. Labor relations
- VI. Cybersecurity Management
- VII. Material contracts

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

VI. Cybersecurity Management

1. The Company has established a comprehensive cybersecurity risk management framework, set up corresponding information security risk management specification, information security risk execution regulations, and details. The scope of the flow includes: identifying the level of risk of the core system, regular inventory check on cybersecurity equipment, execution of annual information safety risk assessment.
Regarding the importance of cybersecurity, to defend ourselves from internal or external information security threats of intention or by accident and protect the safety of the Company's material assets, the Company stated the internal cybersecurity policies. The specifications of the information security Scope of cybersecurity protection:
(1) Scope of cybersecurity protection: Information equipment and applications used on employees' computers, telecommunication equipment, large-scale server, system software, and all corporate information.
(2) Regulations for Cybersecurity Execution: Regulations for Computer Resources, Regulations for Software/Hardware, Regulations for Employees' Information, Regulations for Emergency Management Operations, and multiple information safety management regulations.
(3) Categories of cybersecurity threats and details on corresponding management: Requirements for employees' accounts (default password, length of password, complexity of password, historical record of password, restrictions on the shortest and longest valid period of password).
(4) Cybersecurity protection measures: Resources substantially invested in information security equipment are as follows: Anti-virus firewall, mail filtration system, invasion detection and defense, advanced undisrupted threat protection system.
(5) The Company has established appropriate protection measures for the processing and storage of sensitive information, such as physical isolation, exclusive computer operating environments, access control, data encryption, transmission encryption, data masking, personnel management and handling specifications.
(6) The Company established its Procedures for Emergency Management and Report of Information Security Event, including effect judgment and loss evaluations, as well as internal and external report procedures.
2. In 2021 and as of the date of the annual report, no loss incurred to the Company due to cybersecurity events.

VII. Material Contracts

March 20, 2022

Nature	Concerned party	Duration	Contents	Restrictive terms
Joint venture	UBE Industries Ltd., Marubeni Corporation UBE (Thailand) Co.,Ltd	October 20, 1995 until termination of the co- operative relationship	The joint venture for production and sale of BR with the annual capacity of 50 thousand metric tons of BR in Thailand	No
Joint venture	UBE Industries Ltd., Marubeni Petrochemicals Investment B.V.	October 26, 2006 until termination of the co- operative relationship	The joint venture for production and sale of BR plant with the annual capacity of 72 thousand metric tons in China	No
Technical support and services	Trimurti Holding Corpora- tion	December 31, 2006 ~ until termination of the cooperative relationship	Authorize to use SEBS technology	No
Technology license	JSC VORONEZHSYNTHETZ- KAUCHUK	May 27, 2009 until 10 years after the official production	Authorize for production of thermoplastic elastomers with the annual capacity of 50 thou- sand metric tons	No
Joint ven- ture	Indian Oil Corporation	April 3, 2010 until termination of the co- operative relationship	The joint venture for production and sales of ESBR plant with the annual capacity of 120 thou- sand metric tons in India	No
Technology license	Indian Synthetic Rubber Pri- vate Ltd.	September 1, 2010 until termination of the cooperative rela- tionship	A license for India Synthetic Rubber Private Limited. to use ESBR technology	No
Joint ven- ture	ARLANXEO Holding B.V	May 7, 2010 until termination of the co- operative relationship	The joint venture for production and sales of NBR plant with the annual capacity of 30 thousand metric tons in China	No

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

- I. Business overview
- II. Market overview and production/sales analysis
- III. Employees information
- IV. Disbursements of environmental protections
- V. Labor relations
- VI. Cybersecurity Management
- VII. Material contracts

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Nature	Concerned party	Duration	Contents	Restrictive terms
Technology license	ARLANXEO-TSRC (Nantong) Chemical Industrial Co., Ltd	December 1, 2010 until termination of the cooperative relationship	A license for ARLANXEO-TSRC (Nantong) Chemical Industrial Co Ltd. to use NBR technology	No
Technology license	TSRC (Nantong) Industrial Ltd.	January 2, 2011 until termination of the cooperative relationship	Extend to a 35 thousand metric tons-SEBS technology licensing	No
Technology license	TSRC (Nantong) Industrial Ltd.	January 1, 2014 to December 31, 2023	Authorize to use SIS technology	No
Technology license	TSRC (Nantong) Industrial Ltd.	September 1, 2017 to within ten years starting from the issuance of the first invoice of the new production line	Adding the permission for SEBS authorized products with the annual production of 20 thousand metric tons	No
Relocation Compensation Contract	Chemical Industrial Park Management Office of Nantong Economic & Technological Development Area, Nantong Nengda River Science Innovation Park Development Co., Ltd. and Shen Hua Chemical Industrial Co., Ltd.	December 4, 2021 until termination of the cooperative relationship	Compensation agreement for Shen Hua Chemical Industrial Co., Ltd. to relocate in accordance with the policy	No
Investment agreement	Chemical Industrial Park Management Office of Nantong Economic & Technological Development Area, Nantong Nengda River Science Innovation Park Development Co., Ltd. and Shen Hua Chemical Industrial Co., Ltd.	December 4, 2021 until termination of the cooperative relationship	The investment of relocating Shen Hua's plant that initially located in the North Development Zone to the South Development Zone in response to the "Industrial Upgrade, Reformation, and Relocation Project" of the Chemical Industrial Park of Nantong Economic & Technological Development Area	No
Medium-and long-term loan	Mega Bank	May 02, 2018 to October 23, 2023	Loaned NTD 500 million	Loan amount cannot be drawn again.
Medium-and long-term loan	MUFG Bank	June 25, 2021 to June 25, 2024	Loaned NTD 600 million	Loan amount cannot be drawn again.
Medium-and long-term loan	CTBC Bank	March 23, 2018 to March 28, 2023	Loaned NTD 850 million	Repaid amount of NTD 500,000,000 cannot be drawn again. The amount of NTD 50,000,000 is calculable mobility.
Medium-and long-term loan	E. Sun Bank	February 20, 2020 to August 15, 2027	Loaned NTD 478 million	Loan amount cannot be drawn again.
Medium-and long-term loan	Tai Shin Bank	March 23, 2021 to March 23, 2024	Loaned NTD 500 million	Loan amount cannot be drawn again.
Medium-and long-term loan	Chang Hwa Bank	January 14, 2022 to January 14, 2027	Loaned NTD 500 million	Loan amount cannot be drawn again.

[Home page](#)

[Table of Contents](#)

[Letter to the Shareholders](#)

[Company profile](#)

[Corporate governance report](#)

[Information on capital raising activities](#)

[Overview of business operations](#)

[Overview of financial status](#)

- I. Condensed balance sheet and statement of comprehensive income for the recent five fiscal years
- II. Financial analysis for the recent five fiscal years
- III. Audit committee's report
- IV. Consolidated financial statements and independent auditors' report for the most recent fiscal year
- V. Individual financial statements and independent auditors' report for the most recent fiscal year
- VI. The impact of financial difficulties in the Company and its affiliates on the Company's financial situation

[Review and analysis of the Company's financial position and financial performance, and risk management](#)

[Special items to be included](#)

[Other disclosures](#)

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Overview of financial status

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

- I. Condensed balance sheet and statement of comprehensive income for the recent five fiscal years
- II. Financial analysis for the recent five fiscal years
- III. Audit committee's report
- IV. Consolidated financial statements and independent auditors' report for the most recent fiscal year
- V. Individual financial statements and independent auditors' report for the most recent fiscal year
- VI. The impact of financial difficulties in the Company and its affiliates on the Company's financial situation

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

I. Condensed balance sheet and statement of comprehensive income for recent five fiscal years

<1> Condensed balance sheet

Unit: thousand NTD

Item	Fiscal year	Financial information for the recent years				
		Individual				
		2021	2020	2019	2018	2017
Current assets		3,810,009	3,129,891	4,024,296	4,200,063	3,709,562
Property, plant and equipment		2,866,238	2,978,757	2,727,714	2,789,755	2,760,238
Intangible assets		69,112	65,098	44,819	65,778	86,312
Other assets		18,700,221	16,201,577	17,494,817	17,248,237	16,104,401
Total assets		25,445,580	22,375,323	24,291,646	24,303,833	22,660,513
Current liability	Before distribution	4,225,702	6,037,851	4,813,822	4,790,367	6,304,390
	After distribution	6,207,406(Note)	6,335,107	5,226,677	5,599,562	7,097,072
Non-current liability		3,193,928	2,198,352	4,602,132	4,202,463	1,478,607
Total liability	Before distribution	7,419,630	8,236,203	9,415,954	8,992,830	7,782,997
	After distribution	9,401,334(Note)	8,533,459	9,828,809	9,802,025	8,575,679
Equity attributable to shareholders of the parent		18,025,950	14,139,120	14,875,692	15,311,003	14,877,516
Common stock		8,257,099	8,257,099	8,257,099	8,257,099	8,257,099
Capital surplus		50,725	49,531	47,140	45,158	41,043
Retained earnings	Before distribution	9,154,622	5,552,832	5,917,502	5,809,486	5,431,836
	After distribution	7,172,918(Note)	5,255,576	5,504,647	5,000,291	4,639,154
Other equity		563,504	279,658	653,951	1,199,260	1,147,538
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total shareholders' equity	Before distribution	18,025,950	14,139,120	14,875,692	15,311,003	14,877,516
	After distribution	16,044,246(Note)	13,841,864	14,462,837	14,501,808	14,084,834

Note: the amount decided by the board of directors on March 10, 2022.

[Home page](#)

[Table of Contents](#)

[Letter to the Shareholders](#)

[Company profile](#)

[Corporate governance report](#)

[Information on capital raising activities](#)

[Overview of business operations](#)

[Overview of financial status](#)

- I. Condensed balance sheet and statement of comprehensive income for the recent five fiscal years
- II. Financial analysis for the recent five fiscal years
- III. Audit committee's report
- IV. Consolidated financial statements and independent auditors' report for the most recent fiscal year
- V. Individual financial statements and independent auditors' report for the most recent fiscal year
- VI. The impact of financial difficulties in the Company and its affiliates on the Company's financial situation

[Review and analysis of the Company's financial position and financial performance, and risk management](#)

[Special items to be included](#)

[Other disclosures](#)

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

		Fiscal year	Financial information for the recent years				
			Consolidated				
Item		2021	2020	2019	2018	2017	
Current assets		15,463,097	12,437,636	15,365,918	14,861,158	13,913,627	
Property, plant and equipment		10,154,640	10,516,517	10,037,395	8,768,849	8,558,709	
Intangible assets		892,679	1,012,405	1,669,885	1,851,601	1,942,350	
Other assets		6,319,347	5,301,824	5,441,725	4,748,561	4,584,655	
Total assets		32,829,763	29,268,382	32,514,923	30,230,169	28,999,341	
Current liability	Before distribution	8,548,784	9,893,767	9,300,535	8,172,613	10,811,273	
	After distribution	10,530,488(Note)	10,191,023	9,713,390	8,981,808	11,603,955	
Non-current liability		4,157,161	3,515,956	6,761,665	5,175,715	1,744,622	
Total liability	Before distribution	12,705,945	13,409,723	16,062,200	13,348,328	12,555,895	
	After distribution	14,687,649(Note)	13,706,979	16,475,055	14,157,523	13,348,577	
Equity attributable to shareholders of the parent		18,025,950	14,139,120	14,875,692	15,311,003	14,877,516	
Common stock		8,257,099	8,257,099	8,257,099	8,257,099	8,257,099	
Capital surplus		50,725	49,531	47,140	45,158	41,043	
Retained earnings	Before distribution	9,154,622	5,552,832	5,917,502	5,809,486	5,431,836	
	After distribution	7,172,918(Note)	5,255,576	5,504,647	5,000,291	4,639,154	
Other equity		563,504	279,658	653,951	1,199,260	1,147,538	
Treasury stock		0	0	0	0	0	
Non-controlling interest		2,097,868	1,719,539	1,577,031	1,570,838	1,565,930	
Total shareholders' equity	Before distribution	20,123,818	15,858,659	16,452,723	16,881,841	16,443,446	
	After distribution	18,142,114(Note)	15,561,403	16,039,868	16,072,646	15,650,764	

Note: the amount decided by the board of directors on March 10, 2022.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

- I. Condensed balance sheet and statement of comprehensive income for the recent five fiscal years
- II. Financial analysis for the recent five fiscal years
- III. Audit committee's report
- IV. Consolidated financial statements and independent auditors' report for the most recent fiscal year
- V. Individual financial statements and independent auditors' report for the most recent fiscal year
- VI. The impact of financial difficulties in the Company and its affiliates on the Company's financial situation

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Condensed statement of comprehensive income

Unit: thousand NTD

Item	Fiscal year	Financial information for the recent years				
		Individual				
		2021	2020	2019	2018	2017
Operating revenue		11,150,474	8,344,155	10,856,945	10,834,520	11,254,655
Gross profit		2,199,544	489,887	1,072,357	1,107,890	896,998
Operating profit		1,094,181	(346,968)	129,881	250,966	106,207
Non-operating income and expenses		3,247,030	428,824	788,028	1,077,163	790,340
Net income before tax		4,341,211	81,856	917,909	1,328,129	896,547
Net income		3,930,939	(21,891)	740,316	1,192,186	874,107
Other comprehensive income (loss)		251,953	(304,217)	(368,414)	29,868	(552,296)
Total comprehensive income		4,182,892	(326,108)	371,902	1,222,054	321,811
Net income attributable to shareholders of the parent		3,930,939	(21,891)	740,316	1,192,186	874,107
Net income attributable to non-controlling interests		0	0	0	0	0
Total comprehensive income attributable to shareholders of the parent		4,182,892	(326,108)	371,902	1,222,054	321,811
Total comprehensive income attributable to non-controlling interests		0	0	0	0	0
EPS (Note)		4.76	(0.03)	0.90	1.44	1.06

Note: EPS (loss) is computed by income (loss) after tax divided by weighted average outstanding shares. The shares increased after earnings or additional paid-in capital transferred to capital should be computed retroactively.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

- I. Condensed balance sheet and statement of comprehensive income for the recent five fiscal years
- II. Financial analysis for the recent five fiscal years
- III. Audit committee's report
- IV. Consolidated financial statements and independent auditors' report for the most recent fiscal year
- V. Individual financial statements and independent auditors' report for the most recent fiscal year
- VI. The impact of financial difficulties in the Company and its affiliates on the Company's financial situation

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Unit: thousand NTD

Item	Fiscal year	Financial information for the recent years				
		Consolidated				
		2021	2020	2019	2018	2017
Operating revenue	32,533,238	24,024,443	28,910,723	29,751,218	31,766,237	
Gross profit	6,800,464	2,937,269	3,377,284	3,488,714	3,328,879	
Operating profit	3,928,099	822,315	1,084,861	1,301,814	1,202,526	
Non-operating income and expenses	1,704,889	(301,644)	169,777	328,629	(65,391)	
Net income before tax	5,632,988	520,671	1,254,638	1,630,443	1,137,135	
Net income	4,464,305	215,261	817,120	1,233,670	849,717	
Other comprehensive income (loss)	237,266	(282,003)	(439,025)	(6,708)	(568,595)	
Total comprehensive income	4,701,571	(66,742)	378,095	1,226,962	281,122	
Net income attributable to shareholders of the parent	3,930,939	(21,891)	740,316	1,192,186	874,107	
Net income attributable to non-controlling interests	533,366	237,152	76,804	41,484	(24,390)	
Total comprehensive income attributable to shareholders of the parent	4,182,892	(326,108)	371,902	1,222,054	321,811	
Total comprehensive income attributable to non-controlling interests	518,679	259,366	6,193	4,908	(40,689)	
EPS (Note)	4.76	(0.03)	0.90	1.44	1.06	

Note: EPS (loss) is computed by income (loss) after tax divided by weighted average outstanding shares. The shares increased after earnings or additional paid-in capital transferred to capital should be computed retroactively.

CPA's name and auditor's opinion

Fiscal year	CPA's name	Auditor's opinion
2021	Ming Hung Huang Wu, Lin	Unqualified opinion
2020	Ming Hung Huang Wu, Lin	Unqualified opinion
2019	Po Shu Huang Ming Hung Huang	Unqualified opinion (emphasis of matter)
2018	Po Shu Huang Ann Tine Yu	Unqualified opinion
2017	Po Shu Huang Ann Tine Yu	Unqualified opinion

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

- I. Condensed balance sheet and statement of comprehensive income for the recent five fiscal years
- II. Financial analysis for the recent five fiscal years
- III. Audit committee's report
- IV. Consolidated financial statements and independent auditors' report for the most recent fiscal year
- V. Individual financial statements and independent auditors' report for the most recent fiscal year
- VI. The impact of financial difficulties in the Company and its affiliates on the Company's financial situation

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

II. Financial analysis for the recent five fiscal years

Financial analysis

Item		Fiscal year		Financial information for the recent years				
		Individual						
		2021	2020	2019	2018	2017		
Financial structure	Debt-asset ratio(%)	29.16	36.81	38.76	37.00	34.35		
	Ratio of long-term capital to property, plant and equipment(%)	740.34	548.47	714.07	699.47	592.56		
Solvency	Current ratio(%)	90.16	51.84	83.60	87.68	58.84		
	Quick ratio(%)	49.78	26.47	35.99	34.79	23.76		
	Interest coverage ratio(%)	74.24	2.04	10.03	17.39	13.53		
Operating ability	Receivables turnover rate (times)	8.45	7.94	9.92	9.88	9.21		
	Average collection days for receivables	43.20	45.97	36.79	36.94	39.63		
	Inventory turnover rate (times)	5.68	4.25	4.17	4.19	4.94		
	Payables turnover rate (times)	12.24	10.21	10.97	11.90	11.26		
	Average days of sales	64.26	85.88	87.53	87.11	73.89		
	Property, plant and equipment turnover rate (times)	3.82	2.92	3.94	3.90	4.12		
	Total assets turnover rate(times)	0.47	0.36	0.45	0.46	0.50		
Profitability	Return on assets(%)	16.89	0.18	3.38	5.36	4.11		
	Return on equity(%)	24.44	(0.15)	4.90	7.90	5.79		
	Ratio of income before tax to paid-in capital (%)	52.58	0.99	11.12	16.08	10.86		
	Profit margin before tax (%)	35.25	(0.26)	6.82	11.00	7.77		
	EPS (NTD)	4.76	(0.03)	0.90	1.44	1.06		
Cash flows	Cash flow ratio (%)	18.91	5.23	13.27	6.81	2.58		
	Cash flow adequacy ratio(%)	39.62	24.82	32.18	28.13	41.77		
	Cash flow reinvestment ratio(%)	1.83	(0.43)	(0.67)	(1.85)	(3.02)		
Leveraging	Operating leverage	3.94	(10.74)	37.22	15.65	30.93		
	Financial leverage	1.06	0.81	4.59	1.48	3.07		

The reasons for financial ratio changes in 2021 as compared to 2020: Due to the increase in profits in 2021, the Company's financial structure became healthier, and its operating ability and profitability, and various indexes increased.

1. The debt-asset ratio decreased due to the increase in the assets of subsidiaries resulted from favorable profitability.
2. The ratio of long-term capital for property, plant and equipment was due to the increase in equity resulting from the increase in net profit after tax.
3. The increase in current ratio, quick ratio, and cash flow ratios was due to the decrease in long-term borrowings due within one year.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

- I. Condensed balance sheet and statement of comprehensive income for the recent five fiscal years
- II. Financial analysis for the recent five fiscal years
- III. Audit committee's report
- IV. Consolidated financial statements and independent auditors' report for the most recent fiscal year
- V. Individual financial statements and independent auditors' report for the most recent fiscal year
- VI. The impact of financial difficulties in the Company and its affiliates on the Company's financial situation

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

4. The increase in the interest coverage ratio was due to the increase in net profit before tax.
5. For the Inventory turnover rate, the average days of sales reduced due to the increase in cost of sales and turnover rate resulting from the strong recovery of demands.
6. The increase in property, plant and equipment turnover rate and total assets turnover rate was due to the increase in revenue.
7. The increase in various ratios under the operating ability was due to the increase in net profit after tax.
8. The increase in cash flow adequacy ratio and cash flow reinvestment ratio was due to the increase in the cash flow from operating activities.
9. The leverage fell at the lowest point for the past five years, which was due to the net operating loss incurred after reaching the highest point throughout the past nine years due to the effects of the outbreak in 2020.

Item	Fiscal year	Financial information for the recent years				
		Consolidated				
		2021	2020	2019	2018	2017
Financial structure	Debt-asset ratio(%)	38.70	45.82	49.40	44.16	43.30
	Ratio of long-term capital to property, plant and equipment(%)	239.11	184.23	231.28	251.54	212.51
Solvency	Current ratio(%)	180.88	125.71	165.22	181.84	128.70
	Quick ratio(%)	110.62	67.35	92.98	102.14	72.44
	Interest coverage ratio(%)	51.87	4.14	6.88	10.62	7.04
Operating ability	Receivables turnover rate (times)	8.09	6.86	8.19	8.21	8.19
	Average collection days for receivables	45.11	53.20	44.56	44.45	44.56
	Inventory turnover rate (times)	4.95	3.76	3.97	4.21	4.98
	Payables turnover rate (times)	16.18	10.30	12.88	15.71	15.75
	Average days of sales	73.73	97.07	91.93	86.69	73.29
	Property, plant and equipment turnover rate (times)	3.15	2.34	3.07	3.43	3.63
	Total assets turnover rate(times)	1.05	0.78	0.92	1.00	1.08
Profitability	Return on assets(%)	14.66	1.02	3.09	4.62	3.42
	Return on equity(%)	24.81	1.33	4.90	7.40	5.07
	Ratio of income before tax to paid-in capital (%)	68.22	6.31	15.19	19.75	13.77
	Profit margin before tax (%)	13.72	0.90	2.83	4.15	2.67
	EPS (NTD)	4.76	(0.03)	0.90	1.44	1.06
Cash flows	Cash flow ratio (%)	31.61	23.89	27.93	22.92	14.72
	Cash flow adequacy ratio(%)	92.56	78.25	91.81	99.39	109.82
	Cash flow reinvestment ratio(%)	5.88	5.54	5.05	3.11	2.41
Leveraging	Operating leverage	2.40	7.47	5.95	8.52	8.23
	Financial leverage	1.03	1.18	1.21	1.15	1.19

The reasons for financial ratio changes in 2021 as compared to 2020:

Benefiting from the rapid recovery of the customer demands in 2021, the exit of partial suppliers and the congestion of the

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

- I. Condensed balance sheet and statement of comprehensive income for the recent five fiscal years
- II. Financial analysis for the recent five fiscal years
- III. Audit committee's report
- IV. Consolidated financial statements and independent auditors' report for the most recent fiscal year
- V. Individual financial statements and independent auditors' report for the most recent fiscal year
- VI. The impact of financial difficulties in the Company and its affiliates on the Company's financial situation

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

global transportation supply chain resulted in the short supply of synthetic rubber. The Company managed to make appropriate coordination and arrangements for supply and procurements and recorded a significant increase in net profit before tax and the healthy growth of its various financial ratios. The ratios are described as follows:

1. The increase in ratio of long-term capital to property, plant and equipment was due to the increase in equity resulting from the increase in net profit after tax.
2. The increase in current ratio and quick ratio was due to the increase in current assets.
3. The increase in interest coverage ratio was due to the increase in net profit before tax.
4. For the Inventory turnover rate, the average days of sales reduced due to the increase in cost of sales and turnover rate resulting from the strong recovery of demands. For the Inventory turnover rate, the average days of sales reduced due to the increase in cost of sales resulting from the strong recovery of demands.
5. The increase in property, plant and equipment turnover rate and total assets turnover rate was due to the increase in revenue.
6. The increase in various ratios under the operating ability was due to the increase in net profit after tax.
7. The increase in cash flow ratios was due to the decrease in the long-term borrowings due within one year.
8. The decrease in leverage was due to the increase in net operating profits.

1. Financial structure:

- (1) Debt-asset ratio = total liabilities / total assets
- (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net worth of property, plant and equipment

2. Solvency:

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

3. Operating ability:

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period
- (2) Average collection days for receivables = 365 / receivables turnover rate
- (3) Inventory turnover rate = cost of sales / average inventory
- (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period
- (5) Average days of sale = 365 / inventory turnover rate
- (6) Property, plant and equipment turnover rate = net sales / average net worth of property, plant and equipment
- (7) Total asset turnover rate = net sales / average total assets

4. Profitability:

- (1) Return on assets = [net income + interest expenses (1 - tax rate)] / average total assets
- (2) Return on equity = net income / average total equity
- (3) Profit margin before tax = net income / net sales
- (4) EPS = (profit and loss attributable to owners of the parent - dividends on preferred shares) / weighted average number of issued shares

5. Cash flow:

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

6. Leveraging:

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

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

- I. Condensed balance sheet and statement of comprehensive income for the recent five fiscal years
- II. Financial analysis for the recent five fiscal years
- III. Audit committee's report
- IV. Consolidated financial statements and independent auditors' report for the most recent fiscal year
- V. Individual financial statements and independent auditors' report for the most recent fiscal year
- VI. The impact of financial difficulties in the Company and its affiliates on the Company's financial situation

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

III. Audit Committee's Report

The Board of Directors has prepared and submitted the Company's 2021 Business Report, Financial Statements and earnings distribution proposal. The above Financial Statements have been audited by KPMG and an audit report is accordingly issued.

The above Business Report, Financial Statements, and earnings distribution proposal have been examined and deemed as fairly presented by Audit Committee. This Audit Report is duly submitted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Submission for perusal.

To:

The 2022 Annual Shareholders' Meeting

TSRC Corporation

The convener of Audit Committee Sean Chao

Date: March 10, 2022

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

- I. Condensed balance sheet and statement of comprehensive income for the recent five fiscal years
- II. Financial analysis for the recent five fiscal years
- III. Audit committee's report
- IV. Consolidated financial statements and independent auditors' report for the most recent fiscal year
- V. Individual financial statements and independent auditors' report for the most recent fiscal year
- VI. The impact of financial difficulties in the Company and its affiliates on the Company's financial situation

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

IV. Consolidated financial statements and independent auditors' report for the most recent fiscal year- Please refer to Page 92.

V. Individual financial statements and independent auditors' report for the most recent fiscal year-Please refer to Page 164.

VI. The impact of financial difficulties in the Company and its affiliates on the Company's financial situation-None.

[Home page](#)

[Table of Contents](#)

[Letter to the Shareholders](#)

[Company profile](#)

[Corporate governance report](#)

[Information on capital raising activities](#)

[Overview of business operations](#)

[Overview of financial status](#)

[Review and analysis of the Company's financial position and financial performance, and risk management](#)

- I. Financial position
- II. Financial performance
- III. Cash flow analysis
- IV. Impact of major capital expenditures within the most recent fiscal year on financial operations
- V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for profit/loss generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year
- VI. Analysis and assessment of risk management
- VII. Other important matters

[Special items to be included](#)

[Other disclosures](#)

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities



Review and analysis of the Company's financial position and financial performance, and risk management

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

I. Financial position

II. Financial performance

III. Cash flow analysis

IV. Impact of major capital expenditures within the most recent fiscal year on financial operations

V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for profit/loss generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

VI. Analysis and assessment of risk management

VII. Other important matters

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

I. Financial position:

Unit: thousand NTD

Item	Fiscal year	2021	2020	Amount change	Percentage change (%)
Current assets		15,463,097	12,437,636	3,025,461	24.33
Property, plant and equipment		10,154,640	10,516,517	(361,877)	(3.44)
Intangible assets		892,679	1,012,405	(119,726)	(11.83)
Other assets		6,319,347	5,301,824	1,017,523	19.19
Total assets		32,829,763	29,268,382	3,561,381	12.17
Current liabilities		8,548,784	9,893,767	(1,344,983)	(13.59)
Non-current liabilities		4,157,161	3,515,956	641,205	18.24
Total liabilities		12,705,945	13,409,723	(703,778)	(5.25)
Capital stock		8,257,099	8,257,099	0	0.00
Capital Surplus		50,725	49,531	1,194	2.41
Retained earnings		9,154,622	5,552,832	3,601,790	64.86
Total shareholders' equity		20,123,818	15,858,659	4,265,159	26.89

Major changes and impacts:

The increase in current assets and total shareholders' equity during 2021 from 2020 was due to the increase in cash, receivables, and inventories resulting from the strong recovery of demands and favorable profitability.

II. Financial performance:

Analysis and comparison of financial performance

Unit: thousand NTD

Item	Fiscal year	2021	2020	Amount change	Percentage change (%)
Revenue		32,533,238	24,024,443	8,508,795	35.42
Operating cost		25,732,774	21,087,174	4,645,600	22.03
Gross profit		6,800,464	2,937,269	3,863,195	131.52
Operating expenses		3,143,910	2,297,813	846,097	36.82
Other income and expenses		271,545	182,859	88,686	48.50
Operating profit		3,928,099	822,315	3,105,784	377.69
Non-operating revenues and gains		1,704,889	(301,644)	2,006,533	(665.20)
Net income before tax		5,632,988	520,671	5,112,317	981.87
Less: income tax expenses		1,168,683	305,410	863,273	282.66
Net income		4,464,305	215,261	4,249,044	1973.90

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

I. Financial position

II. Financial performance

III. Cash flow analysis

IV. Impact of major capital expenditures within the most recent fiscal year on financial operations

V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for profit/loss generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

VI. Analysis and assessment of risk management

VII. Other important matters

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

The changes in 2021 as compared to 2020 and the effects:

1. The increase in revenue, gross profit, and operating profits was due to the recovery of customer demands for synthetic rubber and the commercial operation of SEBS' s new line of TSRC (Nantong)Industries.
2. The increase in operating expenses was primarily due to the surge in carriage costs resulting from the congestion of the global transportation supply chain under the effect of the global outbreak.
3. The changes in non-operating income and expenses was due to the gains from the disposals of lands and the favorable profits recorded by overseas subsidiaries in 2021 and the provision of impairment losses for intangible assets in 2020.

Sales volume forecast and the basis there of

Unit: Metric Ton

Name of product	2022	
	Sales volume fore cast	Basis
Synthetic rubber and elastomers	539,000	Subject to the requirement of the market and customers
Applied Materials	12,000	Subject to the requirement of the market and customers forecast growth
Total	551,000	

III. Cash flow analysis:

Unit: Metric Ton

Cash balance at the beginning	Net cash flow from operating activities of the year	Cash inflow (outflow) of the year	The impact of exchange rate fluctuation on cash	Remainder (deficit) of cash	Remedy for insufficient cash	
					Investment plan	Financial plan
3,278,463	2,701,973	(1,291,565)	(224,116)	4,464,755	-	-

<1> Analysis of change in cash flow in the current year:

- 1.Operating activities: Primarily due to the cash inflows of NT\$5,236,257 thousand from items of profit or loss, cash outflow of NT\$1,702,536 thousand from net changes in operating assets and liabilities, net interest expense of NT\$85,769 thousand, and the payment of income tax of NT\$745,979 thousand.
- 2.Investing activities: The net cash inflow from investing activities of NT\$674,418 thousand was primarily due to the new inflow of NT\$356,707 thousand from the acquisition and disposal of property, plant and equipment, dividend received of NT\$149,573 thousand, decrease in restricted assets of NT\$129,299 thousand, and decrease in other non-current assets of NT\$38,839 thousand.
- 3.Financing activities: The net cash outflow from financing activities of NT\$1,965,983thousand was primarily due to the net inflow of short-term borrowings of NT\$299,003 thousand, net outflow from long-term borrowings of NT\$1,682,714 thousand, repayment for the principal of lease of NT\$145,875 thousand, and the distribution of cash dividends of NT\$436,397 thousand.

<2> Improvement plan for insufficient liquidity: There is no insufficient liquidity.

<3> Liquidity analysis for the coming year:

Unit: thousand NTD

Cash balance at the beginning(1)	Projected cash flow from operation of the year (2)	Estimated annual net cash flow from investing and financing activities(3)	Projected remainder (deficit) of cash (1)+(2)-(3)	Remedy for insufficient cash	
				Investment plan	Financial plan
4,464,755	2,571,000	(2,655,000)	4,380,755	-	-

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

I. Financial position

II. Financial performance

III. Cash flow analysis

IV. Impact of major capital expenditures within the most recent fiscal year on financial operations

V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for profit/loss generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

VI. Analysis and assessment of risk management

VII. Other important matters

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

IV. Impact of major capital expenditures within the most recent fiscal year on financial operations.

<1> Major capital expenditure condition and source of funding

Unit: thousand NTD

Item	Sources of funds	Actual of intended completion date	Amount	Year	
				2021	2022
New plant of Shen Hua	Self-owned capital and loads from banks	2024	6,130,000	-	2,132,000
BD storage tank	Self-owned capital	2022	420,000	137,000	122,000

<2> Benefits generated: Expected to increase profitability.

It is estimated that the new plant of Shen Hua may improve our market share and increase profits; the BD storage tank may give rise to the low-price inventories to improve our profit margin.

V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for profit/loss generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

To maintain a leading position in the synthetic rubber market, the Company continues its strategic investment projects on specialty rubber with higher value and profit margins to sustain operating performance of the Company.

VI. Analysis and assessment of risk management

<1> The effect of the change in interest rate and exchange rate and inflation on the profit and loss of the Company and future countermeasures

Unit: thousand NTD

2021	Amount	Accounting for the percentage of net operating revenues (%)	Accounting for the percentage of net profit before taxation (%)
Net interest income (expense)	(80,665)	(0.2)	(1.4)
Net exchange gain (loss)	10,047	0.0	0.2

Interest rate change:

The interest rate risk of the Company comes from the liabilities generated from the operating demand. If there are obvious fluctuations for the expected interest rate, the Company will shorten the term for account receivables offered to customers or adopt proper financial instruments, such as long-term liabilities with fixed interest rates, adjustment in the borrowing currency or loan period, to lower the costs of funds with the most suitable borrowing portfolio.

Exchange rate fluctuation:

The Company receives and pays in foreign currencies for part of its sales and purchases. Therefore, significant changes in foreign exchange rates will have an impact on the Company's operating revenues, cost of goods sold and operating income. The Company has conducted exchange rate hedges for foreign currency assets and liabilities held and scheduled to be traded in order to reduce the impact of exchange rate fluctuations on its operations.

Inflation:

The fluctuation of raw material prices may have an impact on the operation costs of the Company. The responding measures against the risk include the mechanism of bulk procurement and long-term contracts to lower the changes in costs. As for the sale price of products, the Company will make proper adjustments in accordance with costs and market conditions to manage the impact generated from inflation on the Company.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

- I. Financial position
- II. Financial performance
- III. Cash flow analysis
- IV. Impact of major capital expenditures within the most recent fiscal year on financial operations
- V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for profit/loss generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year
- VI. Analysis and assessment of risk management
- VII. Other important matters

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<2> Policy on high risk and high leverage investments, loans to others, guarantee and endorsement and derivative transactions, and the main reason for profit or loss, and response measure to be taken in the future

The Company has not engaged in any high-risk, high-leveraged investments, extending loans to others, or derivatives transactions. Granting endorsements and guarantees is limited to an investee Company accounted for under the equity method. The above transactions will be performed in accordance with relevant requirements prescribed in the Company's "Procedures for the Handling Acquiring or Disposal of Assets," "Procedures for Extending Loan to Others," "Procedures for Granting Endorsements and Guarantees."

<3> R&D work to be carried out in the future and future expenditures expected for R&D work

Unit: thousand NTD

Project name	Expected R&D spending
New Generation and High Performance Tire Product Development	50,000
New Differentiated Polybutadiene Products	37,000
High Value-Added Thermoplastic Elastomer (TPE) Products	178,000
High Performance Materials and Formulas for Footwear	106,000
Advanced Process Technology Development	86,000

<4> Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.

The Company has always complied with government's laws and regulations and monitored the change in government policies and laws at home and abroad. The change in government policies and laws in the country and overseas in the recent year did not cause any effect to the Company's finance and operations.

<5> Effect of changes in technology (including cybersecurity risks) and industry dynamics on the Company's financial and business operations, as well as the measures to be taken in response

As the industry technology develops, The Company has invested greatly in R&D and process technology, continued to build various technology platforms, and worked with customers to jointly develop new technologies and products. Through these activities, The Company was able to enhance its technology and provide new solutions for customers, strengthening The Company position in specialty materials applications and market segments. However, synthetic rubber business can be highly influenced by the external factors such as butadiene price, natural rubber price, synthetic rubber supply-demand balance, and intensified market competition caused by new capacity additions. The Company has a sales-production-procurement (SPP) coordination mechanism in place to periodically review those external factors to control upstream cost and reduce the impact of price fluctuations to the Company. In addition, The Company has expanded its global presence and continued developing products for high-value applications to reduce the risk of being held limited to a single geographic location or industrial area, further strengthening its ability in responding to market changes. Regarding the increasingly important cybersecurity, apart from reinforcing the information protection educational training, the Company also introduced the "zero trust network," "multi-factor authentication," and "instant information security monitoring" systems to effectively improve the information safety protection ability of the Company and minimize risks related to information security.

<6> Effect of changes in the Company's corporate image on the Company's crisis management, and measures to be taken in response:

The Company continues to be fully engaged in developing energy-saving materials and creating operational success in accordance with its Company value in corporate social responsibility (CSR) and sustainable business philosophy. The Company also continues to pursue improvement and innovation in the economic, environmental and social dimensions of CSR, endeavoring to serve as a good corporate citizen and a positive force to the society. Moreover, The Company attaches great importance to supporting the society through various activities in helping disadvantaged students in local communities and other disadvantaged groups. At the same time, The Company volunteers in schools to help with interactive chemistry education activities, demonstrating The Company attention to corporate contribution and creating value to the society.

Furthermore, The Company implements policies to protect its intellectual properties, confidential information, and personal information of its customers and employees. The Company expects to integrate CSR into its core operation process, fulfill sustainable growth, and become customers' long-term partners. In corporate governance, The Company reg-

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

- I. Financial position
- II. Financial performance
- III. Cash flow analysis
- IV. Impact of major capital expenditures within the most recent fiscal year on financial operations
- V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for profit/loss generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year
- VI. Analysis and assessment of risk management
- VII. Other important matters

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

ularly holds shareholder meetings and investor conferences to increase the transparency of its financial and operations. As for crisis management, The Company has existing procedures to respond to crisis events including natural disasters and workplace accidents, reducing operational uncertainty to the minimum level.

<7> Expected benefits and risks associated with merger and acquisitions, and mitigation measures being or to be taken:

To achieve corporate transformation and increase shareholders value, The Company continues to develop and assess equity investment, strategic alliance and merger and acquisitions (M&A) opportunities. The main risks of cross-border M&A include compliance with local M&A regulations and foreign investment requirements as well as post-M&A operation management. To ensure a smooth transition from transaction to post-deal integration, the Company would consult professional advisors with local expertise to set the deal structure conforming to both local and domestic regulations, while the management team would construct a global operating model to align with the Company's cross-border M&A strategy. Minimize potential risks arising from M&A.

<8> Expected benefits and risks associated with plant expansion and mitigation measures being or to be taken:

Regarding the initiative related to the environmental protection along the Yangtze River promoted by local governments and our optimistic view on the continual growth in the demand for synthetic rubber in the regional markets, the Company relocate Shen Hua Chemical to the South Area of the Chemical Industry Park of NETDA in Jiangsu Province and expanded its production capacity to 220,000 MT. The production capacity expansion is subject to limited risk as it is required by the operations and organized through detailed capital expenditure planning.

<9> Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

Purchase: Capacity of the suppliers of butadiene, the Company's main raw materials, is limited. In order to stabilize the source of raw materials and in consideration of the acquisition cost, the Company entered into supply agreement with major domestic suppliers to secure the supply, which gave rise to the consolidation of purchases; however, none of the single supplier accounts for over 10% of the purchase ratio. In the event of force majeure experienced by the domestic suppliers, the Company can still purchase raw materials from foreign suppliers as such raw materials are international suppliers and materials. Therefore, there is no likelihood of short supply of the raw materials.

Sales: The Company's main customers are world's leading companies and the Company's long-term partners. Most of them are contract customers with strong financial health. The Company's business divisions also have control on the amount a customer can purchase while continue conducting credit investigation. Hence, there are no major risks on the business operations.

<10> Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

In the case of directors, managers, or shareholders holding more than 10% of the Company's common share transferring a major quantity of shares or otherwise changed hands may result in the change of management of the Company or affecting the stock price of the Company. TSRC's directors, managers, and shareholders holding more than 10% of the Company's common share are required to report any changes in their shareholding to the competent authority. As of the date of this annual report, there have been no events of TSRC's directors, manager, or shareholders holding more than 10% of the Company's common share transferring a major quantity of shares or otherwise changed hands.

<11> Effect upon and risk to Company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: No

<12> Litigious and non-litigious matters involved the Company and/or any Company director, any Company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any Company or companies controlled by the Company: No

<13> Other important risks, and mitigation measures being or to be taken: No

VII. Other important matters - No

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

- I. Information related to the Company's affiliates
- II. State of the Company's conducting private placements of securities
- III. Holding or disposal of the Company's shares by the Company's subsidiaries
- IV. Other matters that require additional description

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Special items to be included

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

- I. Information related to the Company's affiliates
- II. State of the Company's conducting private placements of securities
- III. Holding or disposal of the Company's shares by the Company's subsidiaries
- IV. Other matters that require additional description

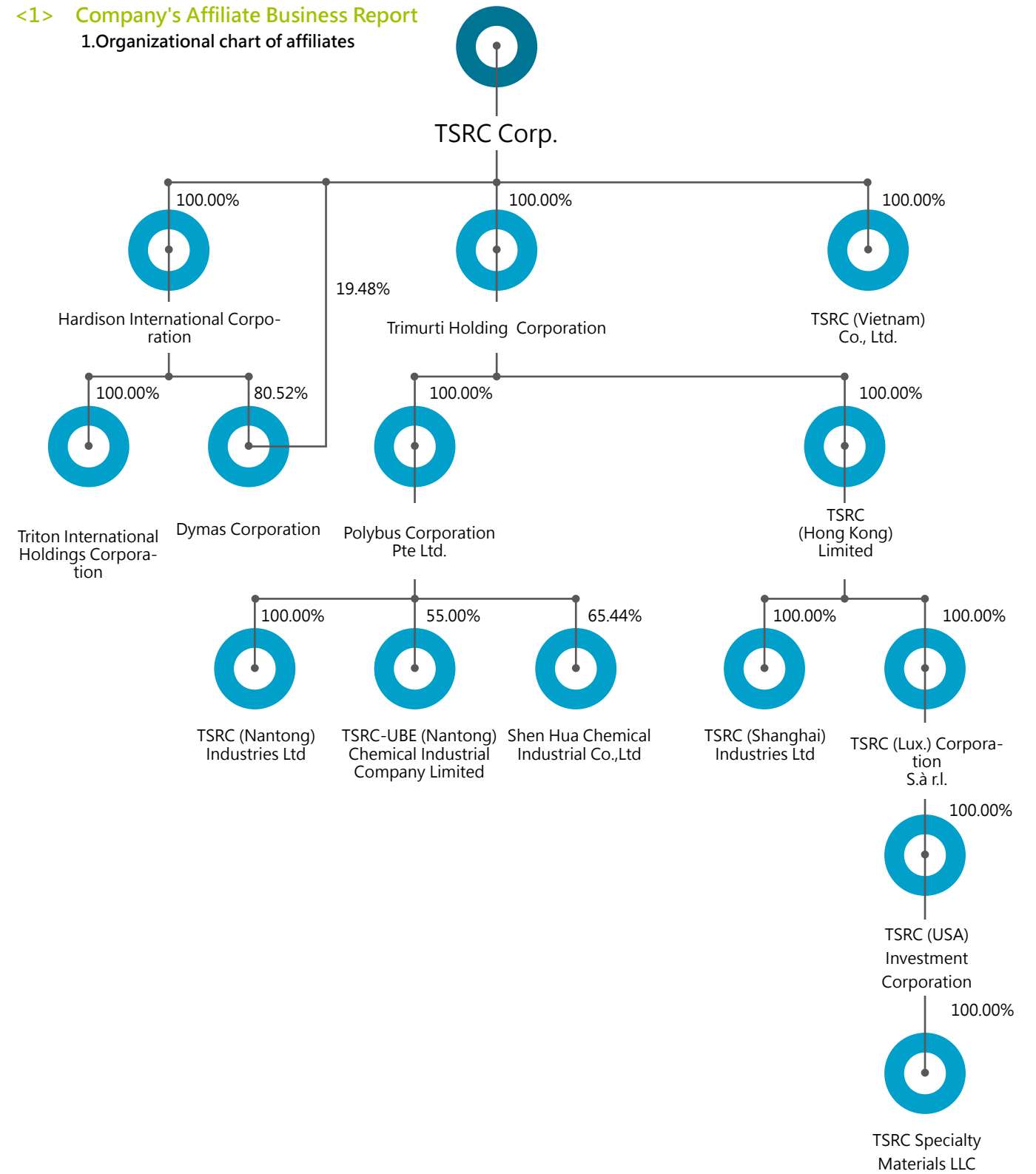
Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

I. Information related to the Company's affiliates

<1> Company's Affiliate Business Report

1. Organizational chart of affiliates



Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

- I. Information related to the Company's affiliates
- II. State of the Company's conducting private placements of securities
- III. Holding or disposal of the Company's shares by the Company's subsidiaries
- IV. Other matters that require additional description

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

2. Profiles of the Company's affiliates

December 31, 2021

Name of enterprise	Date of incorporation	Address	Actual received capitals	Major business or production items
Trimurti Holding Corporation	March 10,1994	Palm Grove House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD 86,920,000	Investment corporation
Hardison International Corporation	March 11,1994	Palm Grove House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD3,896,000	Investment corporation
Dymas Corporation	March 19,1991	Palm Grove House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD5,960,000	Investment corporation
Polybus Corporation Pte Ltd.	February 25, 1995	100 Peck Seah Street #09-16 Singapore 079333	SGD105,830,000	Trading and investment corporation
TSRC (Hong Kong) Limited	March 19, 2008	15/F BOC Group Life Assurance Tower 136 Des Voeux Road Central	USD103,850,000	Investment corporation
Triton International Holdings Corporation	May 24, 1993	Palm Grove House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD50,000	Investment corporation
TSRC (Lux.) Corporation S.à r.l.	July 26, 2011	39-43 avenue de la Liberté, L-1931 Luxembourg	EUR74,870,000	Trading and investment corporation
TSRC(USA) Investment Corporation	January 27, 2011	2711 Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware, 19808	USD96,050,000	Investment corporation
TSRC Specialty Materials LLC	February 20, 2002	12012 Wickchester Lane, Suite 280, Houston, TX 77079	Note	Production and sale of TPE
TSRC (Shanghai) Industries Ltd	February 22, 2001.	No. 1406, Yu Shu Road,Hi-tech Park Songjiang Zone, Shanghai,P.R.C	USD5,500,000	Production and sale of compounding materials
Shen Hua Chemical Industrial Co., Ltd	March 29, 1996.	NO.1 Shen Hua Road, Nantong Economic & Technology Development Area, Nantong Jiangsu, P.R.C.	USD41,220,000	Production and sale of synthetic rubber products
TSRC (Nantong) Industries Ltd	September 05, 2006	No. 22 Tong Wang Road, Nantong Economic & Technological Development Area, Nantong Jiangsu, P.R.C.	USD105,125,000	Production and sale of TPE
TSRC-UBE (Nantong) Chemical Industrial Company Limited	December 06, 2006	No. 22 Tong Wang Road, Nantong Economic & Technological Development Area, Nantong Jiangsu, P.R.C.	USD40,000,000	Production and sale of butadiene rubber
TSRC (Vietnam) Co., Ltd.	October 16, 2018	8 VSIP II-A Street 31, Vietnam Singapore Industrial Park II-A, Tan Uyen Town, Binh Duong Province, Vietnam	USD 11,300,000	Production and processing of plastic rubber granular, Thermoplastic Elastomer and plastic compound

Note: In 2011, TSRC (USA) Investment Corporation acquired 100% ownership of Dexco Polymers Operating Company LLC and Dexco Polymers L.P. with USD 192,617,000 through M&A. In 2020, the organization was simplified, merged, and renamed into TSRC Specialty Materials LLC.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

- I. Information related to the Company's affiliates
- II. State of the Company's conducting private placements of securities
- III. Holding or disposal of the Company's shares by the Company's subsidiaries
- IV. Other matters that require additional description

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

3. Companies presumed to have a relationship of control and subordination: No

4. The industries covered by the business operated by the affiliates and mutual dealings and division of work:

The company's overall relationship with the industries covered by the company's business operations is mainly based on the production and sales of synthetic rubber and TPE, and extends to the production and sales of plastic rubber masterbatch and plastic compounds.

5. Profiles of Directors, Supervisors and Presidents of the Company's affiliates:

December 31, 2021

Name of enterprise	Job title	Name of representative	Shares held	
			Share(s)	Shareholding
Trimurti Holding Corporation	Director	Joseph Chai	-	-
	Director	Wing-Keung Hendrick Lam	-	-
	Director	Edward Wang	-	-
Hardison International Corporation	Director	Joseph Chai	-	-
	Director	Wing-Keung Hendrick Lam	-	-
Dymas Corporation	Director	Joseph Chai	-	-
	Director	Wing-Keung Hendrick Lam	-	-
Polybus Corporation Pte Ltd	Director	Joseph Chai	-	-
	Director	Wing-Keung Hendrick Lam	-	-
	Director	Edward Wang	-	-
TSRC (Hong Kong) Limited	Director	Joseph Chai	-	-
	Director	Wing-Keung Hendrick Lam	-	-
	Director	Edward Wang	-	-
TSRC (Lux.) Corporation S.A R.L.	Director	Wing-Keung Hendrick Lam	-	-
	Director	Edward Wang	-	-
	Director	Chi-Wei Hsu	-	-
	Director	David Maria	-	-
	President	Christian Kafka	-	-
TSRC (USA) Investment Corporation	Director	Wing-Keung Hendrick Lam	-	-
	Director	Edward Wang	-	-
	Director	Chi-Wei Hsu	-	-
	President	Wing-Keung Hendrick Lam	-	-
Triton International Holdings Corporation	Director	Joseph Chai	-	-
	Director	Edward Wang	-	-
TSRC Specialty Materials LLC	Director	Wing-Keung Hendrick Lam	-	-
	Director	Edward Wang	-	-
	Director	Kent Kvaal	-	-
	President	Kent Kvaal	-	-

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

- I. Information related to the Company's affiliates
- II. State of the Company's conducting private placements of securities
- III. Holding or disposal of the Company's shares by the Company's subsidiaries
- IV. Other matters that require additional description

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Name of enterprise	Job title	Name of representative	Shares held	
			Share(s)	Shareholding
TSRC (Shanghai) Industries Ltd	Chairman	Wing-Keung Hendrick Lam	-	-
	Director	Huang-Cheng Kuo	-	-
	Director	Chin-Bao Lu	-	-
	Director	Cheng-Nan Lin	-	-
	Supervisor	Edward Wang	-	-
	President	Peter Lee	-	-
Shen Hua Chemical Industrial Co., Ltd	Chairman	Chao Yang Jiang	-	-
	Director	Edward Wang	-	-
	Director	Chi-Wei Hsu	-	-
	Director	Cheng-Nan Lin	-	-
	Director	Kevin Liu	-	-
	Director	Li Shen	-	-
	Director	Peijun Gu	-	-
President	Shian-Chung Kuo	-	-	
TSRC (Nantong) Industries Ltd	Chairman	Wing-Keung Hendrick Lam	-	-
	Director	Chao Yang Jiang	-	-
	Director	Chin-Bao Lu	-	-
	Supervisor	Edward Wang	-	-
	President	Chao Yang Jiang	-	-
TSRC-UBE (Nantong) Chemical Industrial Company Limited	Chairman	Kevin Liu	-	-
	Director	Cheng-Nan Lin	-	-
	Director	Chi-Wei Hsu	-	-
	Director	Tokoro Yasunobu	-	-
	Director	Peijun Gu	-	-
	Supervisor	Yokoo Hisaaki	-	-
	President	Jian Hui Lu	-	-
TSRC (Vietnam) Co., Ltd.	Chairman	Wing-Keung Hendrick Lam	-	-
	Director	Huang-Cheng Kuo	-	-
	Director	Cheng-Nan Lin	-	-
	Supervisor	Edward Wang	-	-
	President	Huang-Cheng Kuo	-	-

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

- I. Information related to the Company's affiliates
- II. State of the Company's conducting private placements of securities
- III. Holding or disposal of the Company's shares by the Company's subsidiaries
- IV. Other matters that require additional description

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

6. Overview of operation of affiliates

December 31, 2021
Unit: thousand NTD

Name of enterprise	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income (loss)	Gain/loss current period (after tax)	EPS after tax (NTD)
Trimutri Holding Corporation	2,403,450	14,810,865	453	14,810,412	-	(14,702)	2,249,887	25.88
Hardison International Corporation	107,889	666,055	-	666,055	-	(68)	16,980	4.36
Dymas Corporation	165,020	749,963	-	749,963	-	(105)	24,112	4.05
Polybus Corporation Pte Ltd	1,993,680	9,364,460	222,739	9,141,721	691,027	7,070	1,297,441	12.26
TSRC (Hong Kong) Limited	2,875,607	3,680,381	8,045	3,672,336	-	(428)	364,704	3.51
TSRC (Lux.) Corporation S.A R.L.	2,343,693	3,999,366	1,087,630	2,911,736	2,604,983	159,379	285,684	3.82
TSRC (USA) Investment Corporation	2,659,625	3,256,940	494,145	2,762,795	-	(108,832)	163,233	1.70
TSRC Specialty Materials LLC	-	3,018,066	655,031	2,363,035	4,273,329	399,754	321,142	NA
Triton International Holdings Corporation	1,385	56,136	-	56,136	-	(47)	(2,368)	(47.36)
TSRC (Shanghai) Industries Ltd	152,295	464,962	112,664	352,298	577,311	82,015	89,300	NA
Shen Hua Chemical Industrial Co., Ltd	1,141,382	4,405,924	806,377	3,599,547	8,018,930	1,326,272	1,002,175	NA
TSRC (Nantong) Industries Ltd	2,910,911	6,352,445	2,049,956	4,302,489	5,678,443	439,893	276,512	NA
TSRC-UBE (Nantong) Chemical Industrial Company Limited	1,107,600	2,280,238	382,758	1,897,480	3,280,916	573,192	415,589	NA
TSRC (Vietnam) Co., Ltd.	312,897	613,973	398,518	215,455	75,618	(34,287)	(40,674)	NA

Note: Spot exchange rate on the balance sheet date under the title of assets=USD1:NTD 27.69.
Spot exchange rate on the balance sheet date under the title of income=USD1:NTD 28.0294.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

- I. Information related to the Company's affiliates
- II. State of the Company's conducting private placements of securities
- III. Holding or disposal of the Company's shares by the Company's subsidiaries
- IV. Other matters that require additional description

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<2> Consolidated financial statements of the affiliated companies

Representation Letter

The entities that are required to be included in the combined financial statements of TSRC Corporation as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TSRC Corporation does not prepare a separate set of combined financial statements.

Company name: TSRC Corporation

Chairman: Nita Ing

Date: March 10, 2022

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

- I. Information related to the Company's affiliates
- II. State of the Company's conducting private placements of securities
- III. Holding or disposal of the Company's shares by the Company's subsidiaries
- IV. Other matters that require additional description

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<3> Relation Statement

Statement

The 2021 Relation Statement of the Company (from Jan. 1, 2021 to Dec. 31, 2021) was prepared in accordance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and the disclosed information was in accordance with the relevant information in the consolidated financial statement during the aforementioned period without major incompliance.

Hereby specified

Company name: TSRC Corporation

Chairman: Nita Ing

Date: March 10, 2022

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

- I. Information related to the Company's affiliates
- II. State of the Company's conducting private placements of securities
- III. Holding or disposal of the Company's shares by the Company's subsidiaries
- IV. Other matters that require additional description

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Letter

To TSRC Corporation:

The 2021 Relation Statement prepared by TSRC Corporation was in accordance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". The relevant financial information was reviewed according to the information disclosed in the notes of the consolidated financial statements during the aforementioned period by the accountants.

According to the review results from the accountants, the 2021 Relation Statement of TSRC Corporation disclosed relevant information in accordance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". Its financial contents are consistent with the consolidated financial statement. Hence, there is no need for major modification.

The engagement partners on the audit resulting in this independent auditors' report are Ming-Hung Huang and Lin Wu.

KPMG

Taipei, Taiwan (Republic of China)

March 10, 2022

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

- I. Information related to the Company's affiliates
- II. State of the Company's conducting private placements of securities
- III. Holding or disposal of the Company's shares by the Company's subsidiaries
- IV. Other matters that require additional description

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

1.Relation between the subordinate company and the controlling company

Unit: shares; %

Name of the Controlling Companies	Controlled Reasons	Shareholdings and pledges of the controlling companies			Employees sent by controlling company as directors, supervisors or managers	
		Shareholdings	Shareholding ratio	Pledged shares	Position	Name
Wei-Dar Development Corporation	Jointly control subordinate company with over half of the board	53,708,923	6.50	24,200,000	Director	Nita Ing Jing-Lung Huang
Han-De Construction Co., Ltd.		63,093,108	7.64	15,546,000	Director	Chin-Shan Chiang John T. Yu
Mao Shi Corporation	Controlling company of Wei-Dar Development Corporation and Han-De Construction Co., Ltd.	-	-	-	-	-
Jade Fortune Enterprises Inc.	Controlling company of Mao Shi Corporation	-	-	-	-	-
Palmy Corporation	Controlling company of Jade Fortune Enterprises Inc.	-	-	-	-	-
Pan Asia Corporation	Controlling company of Palmy Corporation	-	-	-	-	-
Vanteva Corporation	Controlling company of Pan Asia Corporation	-	-	-	-	-
Montrion Corporation	Controlling company of Vanteva Corporation	-	-	-	-	-

2.Trade correspondences

The trade correspondences of the Company with controlling company in 2020 are as follows:

- (1) Import and sales trading: none.
- (2) Property trading: none.
- (3) Financing: none.
- (4) Asset leasing: none.
- (5) Others: none.

3. Endorsements/guarantees: none.

II. State of the Company's private placement of marketable securities: No.

III. Holding or disposal of the Company's shares by the Company's subsidiaries: No.

IV. Other matters that require additional description: No.

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities-None

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Consolidated financial statement

Representation Letter

The entities that are required to be included in the combined financial statements of TSRC Corporation as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TSRC Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: TSRC Corporation

Chairman: Nita Ing

Date: March 10, 2022

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Independent Auditors' Report To the Board of Directors of TSRC Corporation:

Opinion

We have audited the consolidated financial statements of TSRC 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 end 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.

1. Revenue recognition

Please refer to note 4(q) and note 6(v) for disclosures related to revenue recognition.

Description of key audit matter:

Revenue is the key indicator used by investors and management while evaluating the Group's finance or operating performance. The accuracy of the timing and amount of revenue recognized have significant impact on the financial statements, for which the assumptions and judgments of revenue measurement and recognition rely on subjective judgments of the management. Therefore, we consider it as the key audit matter.

How the matter was addressed in our audit:

Testing the effectiveness of design and implementing the internal control (both manual and system control) of sales and collecting cycle; reviewing the revenue recognition of significant sales contracts to determine whether the accounting treatment, key judgment, estimation, and reasonable; analyzing the changes in top 10 customers from the most recent period and last year, and the changes in the price and quantity of each category of product line to determine whether if there are any significant misstatements; selecting sales transactions from a period of time before and after the balance sheet date, and verifying with the vouchers to determine the accuracy of the timing and amounts of revenue recognized; understanding whether if there is a significant subsequent sales return or discount; and reviewing whether the disclosure of revenue made by the management is appropriate.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

2. Inventory measurement

Please refer to note 4(h), note 5(a), and note 6(f) for disclosures related to inventory measurement.

Description of key audit matter:

The inventory of the Group includes various types of synthetic rubber and its raw material. Since there is an oversupply and a low market demand in the rubber manufacturing industry, which may result in a decline on the price of raw material, the carrying value of inventories may exceed its net realizable value. The measurement of inventory depends on the evaluation of the management based on evidence from internal and external, both subjective and objective. Therefore, we consider it as the key audit matter.

How the matter was addressed in our audit:

The key audit procedures performed is to understand management's accounting policy of inventory measurement and determine whether it is reasonable and is being implemented. The procedures include reviewing the inventory aging documents and analyzing its changes; obtaining the documents of inventory measurement and evaluating whether if the bases used for net realizable value is reasonable; selecting samples and verifying them with the vouchers to test the accuracy of the amount; and reviewing whether the disclosure of inventory measurement made by the management is appropriate.

Other Matter

TSRC Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the 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 with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 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 Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

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

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

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

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

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ming-Hung Huang and Lin Wu.

KPMG
Taipei, Taiwan (Republic of China)
March 10, 2022

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Current assets:				
Cash and cash equivalents (note 6(a))	\$ 4,464,755	14	3,278,463	12
Current financial assets at fair value through profit or loss (note 6(b))	7,702	-	3,460	-
Notes receivable, net (note 6(d))	951,817	3	571,220	2
Accounts receivable, net (note 6(d))	3,716,841	11	2,802,351	10
Other receivables (notes 6(e) and 7)	93,834	-	146,171	-
Current income tax assets	-	-	12,151	-
Inventories (note 6(f))	5,629,817	17	4,772,464	16
Other current assets	<u>598,331</u>	<u>2</u>	<u>851,356</u>	<u>3</u>
Total current assets	<u>15,463,097</u>	<u>47</u>	<u>12,437,636</u>	<u>43</u>
Non-current assets:				
Financial assets at fair value through other comprehensive income - non-current (note 6(c))	1,460,586	4	952,645	4
Investments accounted for under equity method (notes 6(g) and 7)	2,030,573	6	1,303,787	4
Property, plant and equipment (notes 6(i), 8 and 9)	10,154,640	31	10,516,517	36
Right-of-use assets (note 6(j))	867,485	3	1,022,972	3
Investment property (note 6(k))	1,552,148	5	1,566,873	5
Intangible assets (note 6(l))	892,679	3	1,012,405	3
Deferred income tax assets (note 6(r))	253,434	1	288,429	1
Other non-current assets (note 8)	<u>155,121</u>	<u>-</u>	<u>167,118</u>	<u>1</u>
Total non-current assets	17,366,666	53	16,830,746	57

Total assets

\$ 32,829,763 100 29,268,382 100

See accompanying notes to consolidated financial statements.

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Liabilities and Equity	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Current liabilities:				
Short-term borrowings (note 6(m))	\$ 4,006,365	12	3,789,276	13
Current portion of long-term borrowings (notes 6(m) and 8)	817,713	3	2,784,129	10
Current financial liabilities at fair value through profit or loss (note 6(b))	356	-	32,628	-
Accounts payable	1,536,976	5	1,643,264	6
Accounts payable - related parties (note 7)	1,316	-	-	-
Current income tax liabilities	288,186	1	172,787	1
Other payables (notes 6(u) and 7)	1,560,933	5	1,204,135	4
Current lease liabilities (note 6(o))	128,928	-	139,263	-
Other current liabilities	208,011	1	128,285	-
Total current liabilities	8,548,784	27	9,893,767	34
Non-Current liabilities:				
Long-term bank borrowings (notes 6(m) and 8)	1,936,219	6	1,679,735	5
Other long-term borrowings (note 6(m))	349,922	1	349,341	1
Non-current provision liabilities (notes 6(n), 7 and 12(b))	269,536	1	31,819	-
Deferred income tax liabilities (note 6(r))	1,089,204	3	807,700	3
Non-current lease liabilities (note 6(o))	357,355	1	492,827	2
Other non-current liabilities (notes 6(m) and 6(q))	154,925	-	154,534	1
Total non-current liabilities	4,157,161	12	3,515,956	12
Total liabilities	12,705,945	39	13,409,723	46
Equity attributable to shareholders of the Company (notes 6(c), 6(q), 6(r), 6(s) and 6(y)) :				
Common stock	8,257,099	25	8,257,099	28
Capital surplus	50,725	-	49,531	-
Retained earnings:				
Legal reserve	4,073,680	12	4,068,862	14
Unappropriated earnings	5,080,942	16	1,483,970	5
	9,154,622	28	5,552,832	19
Other equity:				
Financial statement translation differences for foreign operations	(456,708)	(1)	(198,125)	(1)
Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	1,047,059	3	558,902	2
Gains or losses on hedging instrument	(26,847)	-	(81,119)	-
	563,504	2	279,658	1
Total equity attributable to shareholders of the Company	18,025,950	55	14,139,120	48
Non-controlling interests (note 6(h))	2,097,868	6	1,719,539	6
Total equity	20,123,818	61	15,858,659	54
Total liabilities and equity	\$ 32,829,763	100	29,268,382	100

See accompanying notes to consolidated financial statements.

Chairman: Nita Ing

Manager: Joseph Chai

Chief Accountant: Hsing-Jung Lin

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Revenue (notes 6(v) and 7)	\$ 32,533,238	100	24,024,443	100
Operating costs (notes 6(f), 6(i), 6(j), 6(l), 6(o), 6(q), 6(u) and 7)	25,732,774	79	21,087,174	88
Gross profit	6,800,464	21	2,937,269	12
Operating expenses (notes 6(d), 6(i), 6(j), 6(l), 6(o), 6(q), 6(u) and 7):				
Selling expenses	1,755,251	6	949,953	4
General and administrative expenses	1,014,618	3	1,000,809	4
Research and development expenses	371,679	1	350,678	2
Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	2,362	-	(3,627)	-
Total operating expenses	3,143,910	10	2,297,813	10
Other income and expenses, net (notes 6(k), 6(p), 6(w) and 7)	271,545	1	182,859	1
Operating profit	3,928,099	12	822,315	3
Non-operating income and expenses (notes 6(g), 6(i), 6(l), 6(o), 6(x) and 7):				
Interest income	30,076	-	46,923	-
Other income	66,256	-	62,290	-
Other gains and losses	917,257	3	(588,796)	(2)
Finance costs	(110,741)	-	(123,569)	-
Share of gain (loss) of associates and joint ventures accounted for under equity method	802,041	2	301,508	1
Total non-operating income and expenses	1,704,889	5	(301,644)	(1)
Net income before tax	5,632,988	17	520,671	2
Less: tax expenses (note 6(r))	1,168,683	3	305,410	1
Net income	4,464,305	14	215,261	1
Other comprehensive income:				
Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
Losses on remeasurements of defined benefit plans	(31,893)	-	(14,247)	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	509,502	1	(67,869)	-
Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	21,345	-	-	-
Components of other comprehensive income that will not be reclassified to profit or loss	456,264	1	(82,116)	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss				
Exchange differences on translation of foreign financial statements	(282,962)	(1)	(247,989)	(1)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	63,964	-	48,102	-
Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	(218,998)	(1)	(199,887)	(1)
Other comprehensive income	237,266	-	(282,003)	(1)
Total comprehensive income	\$ 4,701,571	14	(66,742)	-
Net income (loss) attributable to:				
Shareholders of parent	\$ 3,930,939	12	(21,891)	
Non-controlling interests	\$ 533,366	2	237,152	1
	4,464,305	14	215,261	1
Total comprehensive income attributable to:				
Shareholders of parent	\$ 4,182,892	13	(326,108)	(1)
Non-controlling interests	\$ 518,679	1	259,366	1
	4,701,571	14	(66,742)	-
Basic earnings (losses) per share (New Taiwan Dollars) (note 6(t))	\$ 4.76		(0.03)	
Diluted earnings (losses) per share (in New Taiwan dollars) (note 6(t))	\$ 4.73		(0.03)	

See accompanying notes to consolidated financial statements.

Chairman: Nita Ing

Manager: Joseph Chai

Chief Accountant: Hsing-Jung Lin

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

	Equity attributable to owners of parent				
	Retained earnings				Total
	Common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	
Balance at January 1, 2020	\$ 8,257,099	47,140	3,977,141	1,940,361	5,917,502
Appropriation and distribution of retained earnings:					
Legal reserve	-	-	91,721	(91,721)	-
Cash dividends	-	-	-	(412,855)	(412,855)
Other changes in capital surplus	-	2,391	-	-	-
Net income (loss)	-	-	-	(21,891)	(21,891)
Other comprehensive income (loss)	-	-	-	(14,247)	(14,247)
Total comprehensive income (loss)	-	-	-	(36,138)	(36,138)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	84,323	84,323
Balance at December 31, 2020	8,257,099	49,531	4,068,862	1,483,970	5,552,832
Appropriation and distribution of retained earnings:					
Legal reserve	-	-	4,818	(4,818)	-
Cash dividends	-	-	-	(297,256)	(297,256)
Other changes in capital surplus	-	1,194	-	-	-
Net income	-	-	-	3,930,939	3,930,939
Other comprehensive income (loss)	-	-	-	(31,893)	(31,893)
Total comprehensive income (loss)	-	-	-	3,899,046	3,899,046
Balance at December 31, 2021	\$ 8,257,099	50,725	4,073,680	5,080,942	9,154,622

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent		Total other equity interest					
Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity	
23,383	711,094	(80,526)	653,951	14,875,692	1,577,031	16,452,723	
-	-	-	-	-	-	-	
-	-	-	-	(412,855)	(116,858)	(529,713)	
-	-	-	-	2,391	-	2,391	
-	-	-	-	(21,891)	237,152	215,261	
(221,508)	(67,869)	(593)	(289,970)	(304,217)	22,214	(282,003)	
(221,508)	(67,869)	(593)	(289,970)	(326,108)	259,366	(66,742)	
-	(84,323)	-	(84,323)	-	-	-	
(198,125)	558,902	(81,119)	279,658	14,139,120	1,719,539	15,858,659	
-	-	-	-	-	-	-	
-	-	-	-	(297,256)	(140,350)	(437,606)	
-	-	-	-	1,194	-	1,194	
-	-	-	-	3,930,939	533,366	4,464,305	
(258,583)	488,157	54,272	283,846	251,953	(14,687)	237,266	
(258,583)	488,157	54,272	283,846	4,182,892	518,679	4,701,571	
(456,708)	1,047,059	(26,847)	563,504	18,025,950	2,097,868	20,123,818	

See accompanying notes to consolidated financial statements.

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Consolidated net income before tax	\$ 5,632,988	520,671
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation	1,087,768	1,018,861
Amortization	122,572	137,553
Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	2,362	(3,627)
Interest expense	110,741	123,569
Interest income	(30,076)	(46,923)
Dividend income	(66,256)	(62,290)
Share of profit of associates and joint ventures accounted for under equity method	(802,041)	(301,508)
Loss (gain) on disposal of property, plant and equipment	(900,164)	127,553
Impairment loss on non-financial assets	-	495,745
Amortization to operating costs and inventories	78,363	82,962
Gain on lease modification	-	(8,780)
Total adjustments to reconcile profit and loss	<u>(396,731)</u>	<u>1,563,115</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	(4,242)	(3,446)
Notes receivable	(380,597)	295,127
Accounts receivable	(916,852)	(39,107)
Other receivables	59,195	(26,710)
Inventories	(857,353)	1,642,215
Other current assets	<u>123,726</u>	<u>(122,707)</u>
Total changes in operating assets, net	<u>(1,976,123)</u>	<u>1,745,372</u>
Net changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	(32,272)	26,956
Accounts payable	(106,288)	(749,082)
Accounts payable - related parties	1,316	(59,418)
Other payables	362,607	(90,728)
Other current liabilities	79,726	(90,953)
Net defined benefit liability	(16,086)	(54,978)
Other non-current liabilities	<u>(15,416)</u>	<u>15,989</u>
Total changes in operating liabilities, net	<u>273,587</u>	<u>(1,002,214)</u>
Total changes in operating assets and liabilities, net	<u>(1,702,536)</u>	<u>743,158</u>
Total adjustments	<u>(2,099,267)</u>	<u>2,306,273</u>
Cash provided by operating activities	3,533,721	2,826,944

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	2021	2020
Interest income received	23,218	42,732
Interest paid	(108,987)	(123,502)
Income taxes paid	(745,979)	(382,191)
Net cash flow from operating activities	2,701,973	2,363,983
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	135,404
Acquisition of property, plant and equipment	(860,808)	(1,437,939)
Proceeds from disposal of property, plant and equipment	1,217,515	1,904
Acquisition of intangible assets	-	(25,446)
Decrease (increase) in other non-current assets	38,839	(49,091)
Dividends received	149,573	137,346
Decrease (increase) in restricted assets	129,299	(254,987)
Net cash flows from (used in) investing activities	674,418	(1,492,809)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	24,560,598	36,230,155
Decrease in short-term borrowings	(24,261,595)	(37,097,249)
Proceeds from long-term borrowings	1,709,548	647,039
Repayments of long-term borrowings	(3,392,262)	(1,093,755)
Repayments of lease liabilities	(145,875)	(173,607)
Cash dividends paid	(437,591)	(529,279)
Overaging unclaimed dividends	1,194	2,391
Net cash used in financing activities	(1,965,983)	(2,014,305)
Effect of exchange rate changes on cash and cash equivalents	(224,116)	(273,686)
Net increase (decrease) in cash and cash equivalents	1,186,292	(1,416,817)
Cash and cash equivalents at beginning of period	3,278,463	4,695,280
Cash and cash equivalents at end of period	\$ 4,464,755	3,278,463

See accompanying notes to consolidated financial statements.

Chairman: Nita Ing

Manager: Joseph Chai

Chief Accountant: Hsing-Jung Lin

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

TSRC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

<1> Company history

TSRC Corporation (the original name was Taiwan Synthetic Rubber Corporation, hereinafter referred to as "the Company") was incorporated in the Republic of China (ROC) on November 22, 1973, as a corporation limited by shares in accordance with the ROC Company Act. In May 1999, Taiwan Synthetic Rubber Corporation was renamed TSRC Corporation as approved by the stockholders' meeting. In June 2016, the Company changed its registered address to be No.2, Singgong Rd., Dashe Dist., Kaohsiung City. The consolidated financial statements comprise the Company and its subsidiaries (the Group) and the interests of the Group in associate companies and in jointly controlled companies. The Group is mainly engaged in the manufacture, import and sale of various types of synthetic rubber, and the import, export, and sale of related raw materials. Please refer to note 14.

<2> Approval date and procedures of the consolidated financial statements

The consolidated financial statements were approved by to the Board of Directors and published on March 10, 2022.

<3> New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

<4> Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those described otherwise, the accounting policies have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently to the balance sheet as of reporting date.

(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 (the Regulations) and the IFRSs endorsed by the FSC.

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for those otherwise explained in the accounting policies in the notes.

(ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment. The consolidated financial statements are presented in New Taiwan dollars, which is Company's functional currency. The assets and liabilities of foreign operations are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The Company controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions and balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The comprehensive income from subsidiaries is allocated to the Company and its non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over its subsidiaries are accounted for as equity transactions. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the parent.

When the Group loses control of a subsidiary, the Group derecognizes the assets (including goodwill) and liabilities of the former subsidiary at their carrying amounts from the consolidated statement and re-measures the fair value of retained interest at the date when control is lost. A gain or loss is recognized in profit or loss and is calculated as the difference between:

- 1) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and
- 2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any noncontrolling interest.

The Group shall apply the accounting treatment to all previously recognizes amount related to its subsidiary in its comprehensive income as if the related assets and liabilities were disposed by the Group directly.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(ii) List of the subsidiaries included in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

Name of investor	Name of investee	Scope of business	Percentage of ownership		Description
			December 31, 2021	December 31, 2020	
TSRC	Trimurti Holding Corporation	Investment	100.00%	100.00%	
TSRC	Hardison International Corporation	Investment	100.00%	100.00%	
TSRC&Hardison International Corporation	Dymas Corporation	Investment	100.00%	100.00%	(note 1)
TSRC	TSRC (Vietnam) Co., Ltd.	Production and processing of rubber color masterbatch, thermoplastic elastomer and plastic compound products	100.00%	100.00%	
Trimurti Holding Corporation	Polybus Corporation Pte Ltd	International commerce and investment	100.00%	100.00%	
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	Investment	100.00%	100.00%	
TSRC (Hong Kong) Limited	TSRC (Shanghai) Industries Ltd.	Production and sale of reengineering plastic, plastic compound metal, and plastic elasticity engineering products	100.00%	100.00%	
TSRC (Hong Kong) Limited	TSRC (Lux.) Corporation S.A R.L.	International commerce and investment	100.00%	100.00%	
TSRC (Lux.) Corporation S.A R.L.	TSRC (USA) Investment Corporation	Investment	100.00%	100.00%	
TSRC (USA) Investment Corporation	TSRC Specialty Materials LLC	Production and sale of TPE	100.00%	100.00%	(note 2)
Polybus Corporation Pte Ltd	Shen Hua Chemical Industrial Co., Ltd.	Production and sale of synthetic rubber products	65.44%	65.44%	
Polybus Corporation Pte Ltd	TSRC-UBE (Nantong) Chemical Industrial Co., Ltd.	Production and sale of butadiene rubber	55.00%	55.00%	
Polybus Corporation Pte Ltd	TSRC (Nantong) Industries Ltd.	Production and sale of TPE	100.00%	100.00%	
Hardison International Corporation	Triton International Holdings Corporation	Investment	100.00%	100.00%	

Note1 : TSRC directly owns 19.48% of Dymas's equity and indirectly owns 80.52% via Hardison International Corporation, total directly and indirectly owns of equity are 100%.

Note2 : On November 3, 2020, Dexco Polymers Operating Company LLC (Dexco LLC) merged with TSRC Specialty Materials LLC, which is the surviving company, and Dexco LLC being the dissolved entity. Therefore, the company's name was changed from Dexco Polymers L.P. to TSRC Specialty Materials LLC, wherein the investment structure was simplified. TSRC (USA) Investment Corporation directly holds 100% of TSRC Specialty Materials LLC.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(d) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are remeasured to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Classification of current and non-current assets and liabilities

(i) An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- 1) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- 2) It holds the asset primarily for the purpose of trading;
- 3) It expects to realize the asset within twelve months after the reporting period; or
- 4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(ii) A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- 1) It expects to settle the liability in its normal operating cycle;
- 2) It holds the liability primarily for the purpose of trading;
- 3) The liability is due to be settled within twelve months after the reporting period even if refinancing or a revised repayment plan is arranged between the reporting date and the issuance date of the financial statements; or
- 4) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, time deposits, and short-term investments with high liquidity that are subject to an insignificant risk of changes in their fair value.

The time deposits with maturity of one year or less from the acquisition date are listed in cash and cash equivalents because they are held for the purpose of meeting short-term cash commitments instead of investment or other purposes, are readily convertible to a fixed amount of cash, and are subject to an insignificant risk of changes in value.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model in managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes its loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable and guarantee deposit paid).

The Group measures its loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment, as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

2) Equity instrument

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

5) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

6) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract not designated as at fair value through profit or loss issued by the Group is recognized initially at fair value plus any directly attributable transaction cost. After initial recognition, it is measured at the higher of: (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out below.

(iii) Financial assets

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

(h) Financial instruments

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted-average method.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

The equity of associates is incorporated in these consolidated financial statements using the equity method. Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in the Group's proportionate share in the investee.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group adopts the acquisition method for changes in ownership interests of investment in associates. Goodwill is measured at the amount of fair value transferred out subtracted by the net amounts of the identifiable assets acquired and the liabilities assumed (normally measured at fair value) on the acquisition-date. If the balance after subtraction is negative, the Group shall first reassess if all the assets acquired and the liabilities are identified correctly, then the Group can recognize gain from bargain purchase in profit or loss.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group shall continue to apply the equity method without remeasuring the retained interest.

(j) Investment in associates

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement (i.e. joint ventures) in which the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless the Group qualifies for exemption from that Standard. Please refer to note 4(i) for the application of the equity method.

The Group determines the type of joint arrangement in which it is involved by considering the structure and form of the arrangement, the separate legal vehicle, the terms agreed by the parties in the contractual arrangement and other facts and circumstances. When the facts and circumstances change, the Company reevaluates whether the classification of the joint arrangement has changed.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Reclassification to investment properties

Property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

1) Land improvements	7~30 years
2) Buildings	3~60 years
3) Machinery	3~50 years
4) Furniture and fixtures equipment	3~8 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as a change in an accounting estimate.

(l) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(m) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment of the underlying asset purchase option; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents its right-of-use assets that do not meet the definition of investment and its lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize the right-of-use assets and lease liabilities for its short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines, at lease commencement, whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(n) Leases

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Computer software	3 years
2) Industrial technology and know-how	10~20 years
3) Patent	20 years
4) Non-compete agreement	3 years
5) Customer relationship	18 years
6) Trademark and goodwill	Uncertain useful lives

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Impairment - non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(q) Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group is mainly engaged in the manufacture and sale of various types of synthetic rubber. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the ownership of the significant risks and rewards of the products have been transferred to the customer, and the Group is no longer engaged with the management of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract and the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Management services

The Group is engaged in providing management services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognized based on the actual service provided at the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on surveys of work performed.

(iii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(r) Government grants

The Group recognizes other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(s) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(t) Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the exceptions below:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend annually either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities, simultaneously.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(u) Earnings per share

Earnings per share (EPS) of common stock are calculated by dividing net income (or loss) for the reporting period attributable to common stockholders by the weighted-average number of common shares outstanding during that period. The weighted-average number of common shares outstanding is adjusted retroactively for the increase in common shares outstanding from stock issuance arising from the capitalization of retained earnings, or additional paid-in capital.

If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of profit sharing to employees in stock by the closing price (after considering the dilutive effect of dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of profit sharing to employees are resolved in the board of directors meeting in the following year. If profit sharing is resolved to be distributed to employees in stock, the number of shares is determined by dividing the amount of profit sharing by fair value, which is the closing price (after considering the effect of dividends) of the shares on the day preceding the board meeting.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to formulate a policy of resources allocation for the segment as well as assess its performance. Each operating segment consists of standalone financial information.

(w) Changes in accounting policies

Shen Hua Chemical Industries Co., Ltd. (Shen Hua) signed a relocation compensation contract with Nantong Economic and Technological Development Zone Chemical Park Management Office (Nantong Management Office) and Nantong Nengda Yanjiang Science and Technology Park Development Co., Ltd. (Nantong Nengda) on December 4, 2021. Based on the contract, Shen Hua will have to close its factories before December 31, 2024. It also signed an investment agreement for its new factories with Nantong Management Office, wherein the immovable buildings and facilities (defined as "immovable assets" herein) will be compensated at book value when they are written off. Therefore, the remaining useful life of the immovable assets is extended to December 31, 2024, resulting in the residual value to increase to CNY 75,974 thousand. The change in accounting estimate will not have a significant impact on the depreciation expenses for the years between 2021 and 2024.

<5> Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The Management will continually review the estimates and basic assumptions. Changes in accounting estimates will be recognized in the period of change and the future period of their impact.

There are no critical judgments in applying the accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Inventory measurement

Since inventory is measured by the lower of cost and net realizable value, the Group evaluated the inventory based on the selling price of the product line and price fluctuation of raw material, and written down the book value to net realizable value. Please refer to note 6(f) for inventory measurement.

(b) Impairment of investments accounted for using equity method

The assessment of impairment of intangible assets requires the Group to make subjective judgments to identify cash-generating units and estimate the recoverable amount of relevant cash-generating units. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years. Refer to note 6(l) for further description of the impairment of intangible assets.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<6> Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 390	432
Checking and savings deposits	1,110,545	961,937
Time deposits	3,323,820	2,316,094
Commercial paper with reverse repurchase agreements	30,000	-
Cash and cash equivalents per statements of cash flow	<u>\$ 4,464,755</u>	<u>3,278,463</u>

The disclosure of interest rate risk and sensitivity analysis for the Group's financial assets and liabilities is referred to note 6(z).

(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Forward contracts/Swap contracts	<u>\$ 7,702</u>	<u>3,460</u>

	December 31, 2021	December 31, 2020
Financial liabilities held for trading:		
Derivative instruments not used for hedging		
Forward contracts/Swap contracts	<u>\$ 356</u>	<u>32,628</u>

The Group uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. The Group reported the following derivatives financial instruments as financial assets and liabilities at fair value through profit or loss without the application of hedge accounting:

	December 31, 2021			
	Contract amount (thousand dollars)	Currency	Maturity dates	
Forward contracts	EUR	2,980/	EUR/USD	2022.1.12~2022.3.11
	USD	3,383		
Forward contracts	CNH	3,187/	CNH/USD	2022.1.6
	USD	500		
Swap contracts	EUR	15,450/	EUR/USD	2022.1.12~2022.3.30
	USD	17,735		
Swap contracts	USD	549/	USD/CNH	2022.2.15
	CNH	3,540		
Swap contracts	CNH	22,350/	CNH/USD	2022.1.6
	USD	3,503		
Swap contracts	JPY	16,411/	JPY/USD	2022.1.12
	USD	144		

	December 31, 2020			
	Contract amount (thousand dollars)	Currency	Maturity dates	
Forward contracts	EUR	450/	EUR/USD	2021.2.19~2021.2.26
	USD	551		
Swap contracts	TWD	238,846/	TWD/USD	2021.1.15~2021.1.22
	USD	8,500		
Swap contracts	EUR	21,050/	EUR/USD	2021.1.6~2021.2.3
	USD	24,753		

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(c) Non-current financial assets at fair value through other comprehensive income

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Equity investments at fair value through other comprehensive income:		
Listed stocks (domestic)	\$ 668,140	-
Unlisted stocks (domestic and overseas)	792,446	952,645
Total	<u>\$ 1,460,586</u>	<u>952,645</u>

(i) Equity investments at fair value through other comprehensive income

The Group held equity instrument investment for long-term strategic purposes, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income.

Due to the financial asset activation, the Group sold the share of Taiwan High Speed Railway Co., Ltd. at the fair value for the year ended December 31, 2020, the fair value at that time of disposal was \$114,323 thousand and accumulated gain on disposal was \$84,323 thousand, which has been transferred from other equity to retained earnings.

(ii) For dividend income, please refer to note 6(x).

(iii) For market risk, please refer to note 6(z).

(iv) The aforementioned financial assets were not pledged as collateral.

(v) The significant financial assets at fair value through other comprehensive income denominated in foreign currency were as follows:

	<u>Foreign currency amount (thousand dollars)</u>	<u>Exchange rate</u>	<u>NTD</u>
December 31, 2021			
THB	\$ 493,334	0.8347	411,786
December 31, 2020			
THB	205,493	0.9556	196,370

(d) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 951,817	571,220
Accounts receivable	3,724,240	2,807,545
Less: allowance for impairment	7,399	5,194
	<u>\$ 4,668,658</u>	<u>3,373,571</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The loss allowance provision was determined as follows:

	<u>December 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average expected credit loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 4,611,091	0.05%~0.14%	2,559
1 to 30 days past due	46,559	2.35%~6.31%	1,173
31 to 90 days past due	16,220	8.07%~29.19%	1,480
More than 90 days past due	2,187	100%	2,187
	<u>\$ 4,676,057</u>		<u>7,399</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	December 31, 2020		
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	\$ 3,353,019	0.09%~0.17%	4,055
1 to 30 days past due	25,746	2.78%~5.18%	1,139
	<u>\$ 3,378,765</u>		<u>5,194</u>

The movement in the allowance for notes and accounts receivable was as follows:

	For the years ended December 31	
	2021	2020
Balance at beginning of period	\$ 5,194	8,935
Impairment losses recognized	2,362	-
Impairment loss reversed	-	(3,627)
Foreign exchange gain or loss	(157)	(114)
Balance at end of period	<u>\$ 7,399</u>	<u>5,194</u>

The aforementioned financial assets were not pledged as collateral. For other credit risk information, please refer to note 6(z).

The carrying amounts of notes and accounts receivable with short maturity are not discounted under the assumption that the carrying amount approximates the fair value.

(e) Other receivables (including related parties)

	December 31, 2021	December 31, 2020
Other receivables - related parties	\$ 47,938	39,572
Other	45,896	106,599
	<u>\$ 93,834</u>	<u>146,171</u>

The aforementioned financial assets were not past due or impaired. For other credit risk information, please refer to note 6(z).

(f) Inventories

The components of the Group's inventories were as follows:

	December 31, 2021	December 31, 2020
Raw materials	\$ 1,648,221	1,719,583
Supplies	8,744	9,476
Work in progress	299,749	297,435
Finished goods	2,986,188	2,258,866
Merchandise	686,915	487,104
Total	<u>\$ 5,629,817</u>	<u>4,772,464</u>

As of December 31, 2021 and 2020, the Group did not pledge any collateral on inventories.

Except for operating costs arising from the ordinary sale of inventories, other gains and losses directly recorded under operating cost were as follows:

	2021	2020
Loss on (reversal of) decline in market value of inventory	\$ (84,544)	63,242
Income from sale of scrap	(28,244)	(21,162)
Loss on physical count	1,010	6,165
Unallocated production overhead	394,301	433,063
Total	<u>\$ 282,523</u>	<u>481,308</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(g) Investments accounted for under equity method

The details of the investments accounted for under the equity method were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Associates	\$ 844,557	732,531
Joint ventures	1,186,016	571,256
	<u>\$ 2,030,573</u>	<u>1,303,787</u>

(i) Associates

For the years ended December 31, 2021 and 2020, the Group recognized its share of gain from the associates of \$200,793 thousand and \$169,357 thousand, respectively.

The details of the significant associates are as follows:

<u>Name of associates</u>	<u>Existing relationship with the Group</u>	<u>The main operating place / register country</u>	<u>Proportion of equity and voting right</u>	
			<u>December 31, 2021</u>	<u>December 31, 2020</u>
ARLANXEO-TSRC (Nantong) Chemicals Industries Co., Ltd.	Strategic alliance of production and sales of NBR	China	50.00%	50.00%
Asia Pacific Energy Development Co., Ltd.	Strategic alliance of investment	Cayman Islands	37.78%	37.78%

Summaries of the financial information of the significant associate were as follows:

1) Summary of financial information of ARLANXEO-TSRC (Nantong) Chemicals Industries Co., Ltd.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 735,166	478,937
Non-current assets	584,324	668,836
Current liabilities	(282,615)	(471,579)
Non-current liabilities	(29,454)	(31,085)
Equity	<u>\$ 1,007,421</u>	<u>645,109</u>
Equity attributable to the Group	<u>\$ 503,711</u>	<u>322,554</u>

	<u>2021</u>	<u>2020</u>
Revenue	<u>\$ 2,273,143</u>	<u>1,519,119</u>
Net income of continued operations	\$ 367,700	180,927
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	<u>\$ 367,700</u>	<u>180,927</u>
Total comprehensive income attributable to the Group	<u>\$ 183,850</u>	<u>90,464</u>

	<u>2021</u>	<u>2020</u>
Beginning balance of the equity of the associate attributable to the Group	\$ 323,287	231,111
Current total comprehensive income of the associate attributable to the Group	183,850	90,464
Other	(1,643)	1,712
Ending balance of the equity of the associate attributable to the Group	<u>\$ 505,494</u>	<u>323,287</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

2) Summary of financial information of Asia Pacific Energy Development Co., Ltd.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 485,380	625,218
Non-current assets	922,300	1,011,338
Current liabilities	(488,265)	(529,361)
Non-current liabilities	<u>(8,301)</u>	<u>(10,318)</u>
Equity	<u>\$ 911,114</u>	<u>1,096,877</u>
Equity attributable to the Group	<u>\$ 344,218</u>	<u>414,400</u>

	<u>2021</u>	<u>2020</u>
Revenue	<u>\$ 1,411,811</u>	<u>1,180,236</u>
Net income of continued operations	\$ 44,847	208,822
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	<u>\$ 44,847</u>	<u>208,822</u>
Total comprehensive income attributable to the Group	<u>\$ 16,943</u>	<u>78,893</u>

	<u>2021</u>	<u>2020</u>
Beginning balance of the equity of the associate attributable to the Group	409,244	404,508
Current total comprehensive income of the associate attributable to the Group	16,943	78,893
Other	<u>(87,124)</u>	<u>(74,157)</u>
Ending balance of the equity of the associate attributable to the Group	<u>\$ 339,063</u>	<u>409,244</u>

(ii) Joint ventures

The details of the significant joint ventures are as follows:

<u>Name of joint ventures</u>	<u>Existing relationship with the Group</u>	<u>The main operating place / register country</u>	<u>Proportion of equity and voting right</u>	
			<u>December 31, 2021</u>	<u>December 31, 2020</u>
Indian Synthetic Rubber Private Limited	Strategic alliance of production and sales of synthetic rubber products	India	50.00%	50.00%

The comprehensive financial information of Indian Synthetic Rubber Private Limited, which is the joint venture material to the Consolidated company, is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 2,806,016	1,119,957
Non-current assets	2,527,405	3,089,725
Current liabilities	(1,720,350)	(1,252,076)
Non-current liabilities	<u>(1,284,317)</u>	<u>(1,869,712)</u>
Equity	<u>\$ 2,328,754</u>	<u>1,087,894</u>
Equity attributable to the Group	<u>\$ 1,164,377</u>	<u>543,947</u>

	<u>2021</u>	<u>2020</u>
Revenue	<u>\$ 6,608,019</u>	<u>3,728,248</u>
Net income of continued operations	\$ 1,207,138	280,563
Other comprehensive income (loss)	88,966	(13,179)
Total comprehensive income (loss)	<u>\$ 1,296,104</u>	<u>267,384</u>
Total comprehensive income attributable to the Group	<u>\$ 648,052</u>	<u>133,692</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	2021	2020
Beginning balance of the equity of the joint venture attributable to the Group	\$ 512,624	396,539
Current total comprehensive income of the joint venture attributable to the Group	648,052	133,692
Other	(30,479)	(17,607)
Ending balance of the equity of the joint venture attributable to the Group	<u>\$ 1,130,197</u>	<u>512,624</u>

Summary of respectively not significant joint ventures recognized under the equity method was as follows:

	December 31, 2021	December 31, 2020
Balance of not significant joint venture's equity	<u>\$ 55,819</u>	<u>58,632</u>

	2021	2020
Attributable to the Group:		
Income (loss) from continued operations	\$ (2,321)	(8,130)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	<u>\$ (2,321)</u>	<u>(8,130)</u>

(iii) Collateral

As of December 31, 2021 and 2020, the Group did not pledge any collateral on investments accounted for under the equity method.

(h) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

Name of joint ventures	The main operating place / register country	Proportion of Non-controlling interests	
		December 31, 2021	December 31, 2020
Shen Hua Chemical Industries Co., Ltd.	China	34.56%	34.56%
TSRC-UBE (Nantong) Industries Ltd.	China	45.00%	45.00%

The following information of the aforementioned subsidiaries have been prepared in accordance with the IFRSs endorsed by the FSC. Included in this information are the fair value adjustment made during the acquisition and the relevant difference in accounting principles between the Group and its subsidiaries as at the acquisition date. Intra-group transactions were not eliminated in this information.

(i) Summary of financial information of Shen Hua Chemical Industries Co., Ltd.

	December 31, 2021	December 31, 2020
Current assets	\$ 3,236,185	2,569,212
Non-current assets	1,169,739	904,877
Current liabilities	(542,982)	(582,827)
Non-current liabilities	(263,395)	(17,878)
Net assets	<u>\$ 3,599,547</u>	<u>2,873,384</u>
Non-controlling interests	<u>\$ 1,244,003</u>	<u>993,042</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	2021	2020
Revenue	\$ 8,018,930	5,695,244
Net income	\$ 1,002,175	497,954
Other comprehensive income (loss)	(24,572)	34,727
Total comprehensive income (loss)	\$ 977,603	532,681
Total net income attributable to non-controlling interests	\$ 346,351	172,093
Total comprehensive income attributable to non-controlling interests	\$ 337,858	184,094

	2021	2020
Net Cash flow from operating activities	\$ 455,922	720,022
Net Cash used in investing activities	(130,480)	(97,685)
Net Cash used in financing activities	(251,975)	(342,922)
Effect on exchange rate changes on cash and cash equivalents	(2,746)	16,872
Increase in cash and cash equivalents	\$ 70,721	296,287

(ii) Summary of financial information of TSRC-UBE (Nantong) Industries Ltd.

	December 31, 2021	December 31, 2020
Current assets	\$ 1,447,115	1,051,480
Non-current assets	833,123	922,652
Current liabilities	(377,385)	(355,169)
Non-current liabilities	(5,373)	(4,524)
Net assets	\$ 1,897,480	1,614,439
Non-controlling interests	\$ 853,865	726,497

	2021	2020
Revenue	\$ 3,280,916	2,319,775
Net income	\$ 415,589	144,576
Other comprehensive income (loss)	(13,764)	22,694
Total comprehensive income (loss)	\$ 401,825	167,270
Total net income attributable to non-controlling interests	\$ 187,015	65,059
Total comprehensive income attributable to non-controlling interests	\$ 180,821	75,272

	2021	2020
Net Cash flow from operating activities	\$ 509,736	284,721
Net Cash used in investing activities	(56,162)	(30,505)
Net Cash used in financing activities	(111,404)	(268,638)
Effect on exchange rate changes on cash and cash equivalents	4,196	3,878
Increase (decrease) in cash and cash equivalents	\$ 346,366	(10,544)

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(i) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	<u>Land</u>	<u>Land improvements</u>	<u>Buildings</u>
Cost:			
Balance at January 1, 2021	\$ 841,829	142,168	4,672,369
Additions	-	9,037	56,644
Disposals	(201,665)	-	(4,864)
Reclassification	344	951	242,404
Effect on changes in exchange rates	(588)	(1,651)	(34,790)
Balance at December 31, 2021	<u>\$ 639,920</u>	<u>150,505</u>	<u>4,931,763</u>
Balance at January 1, 2020	\$ 614,101	143,699	4,051,022
Additions	140,061	-	-
Disposals	-	-	(6,734)
Reclassification	88,441	1,644	591,761
Effect on changes in exchange rates	(774)	(3,175)	36,320
Balance at December 31, 2020	<u>\$ 841,829</u>	<u>142,168</u>	<u>4,672,369</u>
Depreciation and impairment loss:			
Balance at January 1, 2021	\$ -	94,229	2,464,473
Depreciation	-	5,735	160,753
Disposals	-	-	(3,317)
Reclassification	-	-	-
Effect on changes in exchange rates	-	(724)	(14,449)
Balance at December 31, 2021	<u>\$ -</u>	<u>99,240</u>	<u>2,607,460</u>
Balance at January 1, 2020	\$ -	90,293	2,314,620
Depreciation	-	5,232	137,546
Disposals	-	-	(3,490)
Reclassification	-	-	(654)
Effect on changes in exchange rates	-	(1,296)	16,451
Balance at December 31, 2020	<u>\$ -</u>	<u>94,229</u>	<u>2,464,473</u>
Carrying value:			
December 31, 2021	<u>\$ 639,920</u>	<u>51,265</u>	<u>2,324,303</u>
December 31, 2020	<u>\$ 841,829</u>	<u>47,939</u>	<u>2,207,896</u>
January 1, 2020	<u>\$ 614,101</u>	<u>53,406</u>	<u>1,736,402</u>

To optimize the Group's asset, the Group disposed its real estate located in Kaohsiung City, Renwu Dist. to a non-related party for \$1,220,000 thousands, with a book value of \$201,665 thousand based on the resolution approved during the board meeting held on March 11, 2021. All relevant transactions amounting to \$909,118 thousands, recognized as gain, had been completed in July 2021.

Please refer to note 8 for the pledged and collateral information of the property, plant and equipment.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<u>Machinery</u>	<u>Furniture and fixtures and other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
21,983,009	247,058	1,228,046	29,114,479
185,687	245	847,440	1,099,053
(238,677)	(6,984)	(66,740)	(518,930)
1,016,360	18,169	(1,334,117)	(55,889)
(190,987)	(2,526)	(12,761)	(243,303)
22,755,392	255,962	661,868	29,395,410
20,332,811	244,989	2,844,971	28,231,593
29,676	92	1,256,316	1,426,145
(503,925)	(9,135)	-	(519,794)
2,215,069	13,376	(2,835,265)	75,026
(90,622)	(2,264)	(37,976)	(98,491)
21,983,009	247,058	1,228,046	29,114,479
15,857,095	182,165	-	18,597,962
815,165	17,455	-	999,108
(191,547)	(6,715)	-	(201,579)
(19)	-	-	(19)
(137,578)	(1,951)	-	(154,702)
16,343,116	190,954	-	19,240,770
15,614,341	174,944	-	18,194,198
745,908	17,414	-	906,100
(378,626)	(8,221)	-	(390,337)
(38)	(21)	-	(713)
(124,490)	(1,951)	-	(111,286)
15,857,095	182,165	-	18,597,962
6,412,276	65,008	661,868	10,154,640
6,125,914	64,893	1,228,046	10,516,517
4,718,470	70,045	2,844,971	10,037,395

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(j) Right-of-use assets

The Group leases its assets, including land, buildings, machinery and transportation equipment. Information about leases is presented below:

	<u>Land</u>	<u>Building</u>	<u>Machinery</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2021	\$ 569,782	255,467	457,714	32,827	1,315,790
Additions	1,222	14,561	11,683	12,926	40,392
Write-off	-	(5,191)	(16,935)	(11,993)	(34,119)
Lease modification	-	(52,107)	-	-	(52,107)
Amortization to operating costs and inventories	-	(4,487)	(73,876)	-	(78,363)
Effect on changes in foreign exchange rates	(6,779)	(5,646)	(3,887)	(772)	(17,084)
Balance at December 31, 2021	<u>\$ 564,225</u>	<u>202,597</u>	<u>374,699</u>	<u>32,988</u>	<u>1,174,509</u>
Balance at January 1, 2020	\$ 663,708	383,925	471,843	34,216	1,553,692
Additions	-	32,150	57,174	2,501	91,825
Write-off	-	(3,695)	-	-	(3,695)
Lease modification	-	(143,496)	-	(2,561)	(146,057)
Reclassification to construction in progress	(94,596)	-	-	-	(94,596)
Amortization to operating costs and inventories	-	(6,850)	(76,112)	-	(82,962)
Effect on changes in foreign exchange rates	670	(6,567)	4,809	(1,329)	(2,417)
Balance at December 31, 2020	<u>\$ 569,782</u>	<u>255,467</u>	<u>457,714</u>	<u>32,827</u>	<u>1,315,790</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2021	\$ 145,489	111,766	17,224	18,339	292,818
Depreciation	13,616	49,763	-	10,556	73,935
Write-off	-	(5,191)	(16,935)	(11,993)	(34,119)
Lease modification	-	(20,463)	-	-	(20,463)
Effect on changes in exchange rates	(1,434)	(3,024)	(289)	(400)	(5,147)
Balance at December 31, 2021	<u>\$ 157,671</u>	<u>132,851</u>	<u>-</u>	<u>16,502</u>	<u>307,024</u>
Balance at January 1, 2020	\$ 130,190	68,316	14,551	9,064	222,121
Depreciation	13,798	70,243	3,576	10,418	98,035
Write-off	-	(3,695)	-	-	(3,695)
Lease modification	-	(21,425)	-	(512)	(21,937)
Effect on changes in exchange rates	1,501	(1,673)	(903)	(631)	(1,706)
Balance at December 31, 2020	<u>\$ 145,489</u>	<u>111,766</u>	<u>17,224</u>	<u>18,339</u>	<u>292,818</u>
Carrying value:					
December 31, 2021	<u>\$ 406,554</u>	<u>69,746</u>	<u>374,699</u>	<u>16,486</u>	<u>867,485</u>
December 31, 2020	<u>\$ 424,293</u>	<u>143,701</u>	<u>440,490</u>	<u>14,488</u>	<u>1,022,972</u>
January 1, 2020	<u>\$ 533,518</u>	<u>315,609</u>	<u>457,292</u>	<u>25,152</u>	<u>1,331,571</u>

The Group did not pledge any collateral on right-of-use assets.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(k) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance as at January 1, 2021	\$ 1,073,579	741,889	1,815,468
Additions	-	-	-
Balance as at December 31, 2021	<u>\$ 1,073,579</u>	<u>741,889</u>	<u>1,815,468</u>
Balance as at January 1, 2020	\$ 1,073,579	741,889	1,815,468
Additions	-	-	-
Balance as at December 31, 2020	<u>\$ 1,073,579</u>	<u>741,889</u>	<u>1,815,468</u>
Depreciation:			
Balance as at January 1, 2021	\$ -	248,595	248,595
Depreciation	-	14,725	14,725
Balance as at December 31, 2021	<u>\$ -</u>	<u>263,320</u>	<u>263,320</u>
Balance as at January 1, 2020	\$ -	233,869	233,869
Depreciation	-	14,726	14,726
Balance as at December 31, 2020	<u>\$ -</u>	<u>248,595</u>	<u>248,595</u>
Carrying value:			
Balance as at December 31, 2021	<u>\$ 1,073,579</u>	<u>478,569</u>	<u>1,552,148</u>
Balance as at December 31, 2020	<u>\$ 1,073,579</u>	<u>493,294</u>	<u>1,566,873</u>
Balance as at January 1, 2020	<u>\$ 1,073,579</u>	<u>508,020</u>	<u>1,581,599</u>
Fair value:			
Balance as at December 31, 2021			<u>\$ 3,336,956</u>
Balance as at December 31, 2020			<u>\$ 3,336,956</u>
Balance as at January 1, 2020			<u>\$ 3,334,675</u>

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 1~5 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(w) for further information.

The fair value of investment property (as disclosed in the financial statements) is based on a valuation by an independent appraiser. The range of yields applied to the net annual rentals to determine the fair value of the property were as follows:

<u>Region</u>	<u>2021</u>	<u>2020</u>
Da'an Dist., Taipei City	2.10%	2.10%

As of December 31, 2021 and 2020, the Group did not pledge any collateral on investment properties.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(l) Intangible assets

The cost, amortization and impairment losses of the intangible assets of the Group were as follows:

	Industrial technology and know-how	Computer software	Goodwill
Costs:			
Balance at January 1, 2021	\$ 980,299	261,995	195,817
Reclassification	8,000	21,047	-
Effect of changes in exchange rates	(24,430)	(622)	(5,619)
Balance at December 31, 2021	<u>\$ 963,869</u>	<u>282,420</u>	<u>190,198</u>
Balance at January 1, 2020	\$ 995,035	246,832	206,793
Additions	25,300	146	-
Reclassification	-	14,069	-
Effect of changes in exchange rates	(40,036)	948	(10,976)
Balance at December 31, 2020	<u>\$ 980,299</u>	<u>261,995</u>	<u>195,817</u>
Amortization and impairment losses:			
Balance at January 1, 2021	\$ 587,443	247,082	195,817
Amortization	62,976	11,337	-
Reclassification	-	19	-
Effect of changes in exchange rates	(15,024)	(612)	(5,619)
Balance at December 31, 2021	<u>\$ 635,395</u>	<u>257,826</u>	<u>190,198</u>
Balance at January 1, 2020	\$ 491,771	234,745	-
Amortization	48,157	11,363	-
Impairment loss	66,582	-	203,263
Effect of changes in exchange rates	(19,067)	974	(7,446)
Balance at December 31, 2020	<u>\$ 587,443</u>	<u>247,082</u>	<u>195,817</u>
Carrying value:			
December 31, 2021	<u>\$ 328,474</u>	<u>24,594</u>	<u>-</u>
January 1, 2020	<u>\$ 392,856</u>	<u>14,913</u>	<u>-</u>
December 31, 2020	<u>\$ 503,264</u>	<u>12,087</u>	<u>206,793</u>

(i) Amortization of intangible assets

For the years ended December 31, 2021 and 2020, the amortization of intangible assets are included in the statement of comprehensive income:

	2021	2020
Operating costs	\$ 7,096	5,256
Operating expenses	<u>115,476</u>	<u>132,297</u>
	<u>\$ 122,572</u>	<u>137,553</u>

(ii) Impairment Testing

The goodwill and other intangible assets, which were mainly from the expected production of Dexco Polymers LP Synthetic rubber products' revenue growth in the United States and Europe market amounting to USD90,569 thousand, were generated and recognized by TSRC (USA) Investment Corporation when acquiring Dexco Polymers LP and Dexco Polymers Operating LLC in April 2011. In 2020, the global economic recession caused by COVID-19, as well as the delay of customers' shipments resulted in a decline in operations and profits, and indication of impairment.

For the purposes of impairment testing, goodwill is allocated to each of the acquirer's cash-generating units that are expected to benefit from the synergies of the combination. TSRC (USA) Investment Corporation itself is not a separate cash-generating unit that cannot generate independent cash inflows; therefore, the impairment of goodwill and other intangible assets (including technical know-hows, patents, trademarks and customer relationships) are calculated at fair value after the merger of Dexco Polymers LP by TSRC (USA) Investment Corporation, minus the cost of disposal and the book value of net assets, in assessing whether impairment should be recognized.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<u>Patent and trademark</u>	<u>Customer relationship</u>	<u>Non-compete agreement</u>	<u>Total</u>
561,090	1,023,437	8,553	3,031,191
-	-	-	29,047
<u>(16,101)</u>	<u>(29,366)</u>	<u>(245)</u>	<u>(76,383)</u>
544,989	994,071	8,308	2,983,855
592,543	1,080,805	9,032	3,131,040
-	-	-	25,446
-	-	-	14,069
<u>(31,453)</u>	<u>(57,368)</u>	<u>(479)</u>	<u>(139,364)</u>
561,090	1,023,437	8,553	3,031,191
348,361	631,530	8,553	2,018,786
15,913	32,346	-	122,572
-	-	-	19
<u>(10,188)</u>	<u>(18,513)</u>	<u>(245)</u>	<u>(50,201)</u>
354,086	645,363	8,308	2,091,176
200,235	525,372	9,032	1,461,155
23,059	54,974	-	137,553
141,733	84,167	-	495,745
<u>(16,666)</u>	<u>(32,983)</u>	<u>(479)</u>	<u>(75,667)</u>
348,361	631,530	8,553	2,018,786
190,903	348,708	-	892,679
212,729	391,907	-	1,012,405
392,308	555,433	-	1,669,885

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

For the abovementioned impairment testing for the year ended December 31, 2020, the fair value of intangible assets, minus disposal costs, were lower than the book value of net assets, wherein the amount of impairment loss were recognized as follows:

	Goodwill	Know-how	Patent	Trademark	Customer relationship	Total
\$	203,263	66,582	95,634	46,099	84,167	495,745

The cash-generating unit used the financial data of July 31, 2020 as the measurement base date, wherein the measurement of the recoverable amount was determined using the fair value, less disposal cost, based on the market and income approach. The amount of fair value, less disposal cost, was estimated by using the discounted cash flow. The measurement of fair value uses the significant unobservable input classified into the third level. The following are the key assumptions used in estimating the recoverable amount. The values of these key assumptions represent the management's assessment of the future trends of related industries and the consideration of historical information from internal and external sources.

	2020.7.31
Discount rate	10.2%
Revenue growth rate	0.9%~7%

The discount rate and the cash flow were estimated based on the industry weighted average capital cost and the five-year financial forecast approved by the management, respectively. In addition, the cash flow over five years was estimated based on different growth rates for each product over the subsequent years.

The intangible assets of the Group had not been impaired for the year ended December 31, 2021.

(iii) The Group did not pledge any collateral on intangible assets.

(m) Short term and long term borrowings

The details of the Group's short-term and long-term borrowings were as follows:

(i) Short-term bank borrowings

	December 31, 2021			The unused credit facilities
	Range of interest rates (%)	Year of maturity	Amount	
Unsecured loans	0.40~3.85	2022	\$ 4,006,365	15,543,553

	December 31, 2020			The unused credit facilities
	Range of interest rates (%)	Year of maturity	Amount	
Unsecured loans	0.40~4.35	2021	\$ 3,789,276	17,605,576

(ii) Long-term borrowings

1) Long-term bank borrowings

	December 31, 2021			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	USD	4.38	2022~2023	\$ 118,063
Unsecured loans	NTD	0.95~1.25	2022~2025	2,145,756
Unsecured loans	USD	1.48~1.72	2022~2024	490,113
Total				\$ 2,753,932
Current				\$ 817,713
Non-current				1,936,219
Total				\$ 2,753,932

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

December 31, 2020				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	USD	4.38	2021~2023	\$ 178,458
Unsecured loans	NTD	1.09~1.25	2021~2025	3,073,718
Unsecured loans	USD	1.53~3.82	2021~2023	783,970
Unsecured loans	CNY	5.08	2022	427,718
Total				<u>\$ 4,463,864</u>
Current				\$ 2,784,129
Non-current				1,679,735
Total				<u>\$ 4,463,864</u>

Among the increase in long-term borrowings is the participation of the Group in the federal government's Paycheck Protection Program, of which the amount of \$56,796 thousand (USD1,950 thousand) bore the interest rate of 1%. According to the loan contract, if the Group, has maintained its number of employees and salary levels, and the relevant salary, rent, utility expenses, have met all the required ratios defined in the contract for eight weeks since the date of the loan signature, wherein the full forgiveness of loan balance can be applied. As of December 31, 2020, the relevant forgiveness amount has been applied to the bank for review. In addition, the Company applied the "Welcoming the Return of Taiwanese Investment Initiative Act" loan of \$478,000 thousand from the bank in 2020. As of December 31, 2021 and 2020, the Company had used the amounts of \$148,837 thousand and \$75,727 thousand which were measured and recognized based on the market interest rate of 1.2%; and the difference between the actually interest rate of 0.45% and the market interest rate of 1.2% had been recorded as government subsidy under deferred income.

2) Long-term commercial paper payable (recorded as other long-term borrowings)

The details of the Group's long-term commercial paper payable were as follows:

December 31, 2021			
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	CTBC Bank	1.164	\$ 350,000
Less: discount			78
Total			<u>\$ 349,922</u>

December 31, 2020			
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	CTBC Bank	1.206	\$ 350,000
Less: discount			659
Total			<u>\$ 349,341</u>

The Group disclosed the related risk exposure to the financial instruments in note 6(z).

(iii) Collateral of loans

The Group pledged certain assets for the loans. Please refer to note 8 for additional information.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(n) Non current provision liabilities

	<u>Guarantees</u>	<u>Demolition and relocation costs</u>	<u>Total</u>
Balance at January 1, 2021	\$ 31,819	-	31,819
Increase in provisions	-	241,779	241,779
Reverse in provisions	<u>(4,062)</u>	<u>-</u>	<u>(4,062)</u>
Balance at December 31, 2021	<u>\$ 27,757</u>	<u>241,779</u>	<u>269,536</u>
Balance at January 1, 2020	\$ 19,227	-	19,227
Increase in provisions	<u>12,592</u>	<u>-</u>	<u>12,592</u>
Balance at December 31, 2020	<u>\$ 31,819</u>	<u>-</u>	<u>31,819</u>

Please refer to note 7(c) and note 12(b) for further description of guarantees, demolition and relocation costs.

(o) Lease liabilities

The Group's lease liabilities were as follow:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current	\$ <u>128,928</u>	<u>139,263</u>
Non-current	\$ <u>357,355</u>	<u>492,827</u>

For the maturity analysis, please refer to note 6(z).

The amounts recognized in profit or loss were as follows:

	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	\$ <u>3,463</u>	<u>6,775</u>
Expenses relating to short-term leases	\$ <u>15,819</u>	<u>17,264</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>22,836</u>	<u>18,499</u>

The amounts recognized in the statement of cash flows for the Group were as follows:

	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	\$ <u>187,993</u>	<u>216,145</u>

(p) Operating leases

The Group leases out its investment property. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets; please refer to note 6(k).

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Less than one year	\$ 68,755	68,159
One to two years	61,118	67,739
Two to three years	49,356	60,905
Three to four years	12,138	48,363
Four to five years	13,241	13,710
More than five years	<u>42,990</u>	<u>63,568</u>
Total undiscounted lease payments	<u>\$ 247,598</u>	<u>322,444</u>

In 2021 and 2020, the rental income from investment property amounted to \$73,422 thousand and \$64,663 thousand, respectively.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(p) Employee benefits

(i) Defined benefit plans

The following table shows a reconciliation between the present value of the defined benefit obligation and the fair value of plan assets:

	December 31, 2021	December 31, 2020
The present value of the defined benefit obligations	\$ 605,909	606,090
Fair value of plan assets	(519,935)	(535,923)
The net defined benefit liability	<u>\$ 85,974</u>	<u>70,167</u>

The Group established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labors. Minimum annual distributions of the funds by the Bureau shall be no less than the earnings attainable from the two-year time deposits with the interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$519,935 thousand at the end of the current reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit plan obligation

The movements in present value of the Group's defined benefit plan obligation for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Defined benefit obligation as of 1 January	\$ 606,090	615,154
Current service costs and interest	8,891	11,598
Remeasurements of net defined benefit liability (asset)		
- Return on plan assets (excluding current interest expense)	6,392	15,816
- Due to changes in financial assumption of actuarial gains or losses	31,893	14,247
Benefits paid by the plan	(47,357)	(50,725)
Defined benefit obligation as of 31 December	<u>\$ 605,909</u>	<u>606,090</u>

3) Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Fair value of plan assets as of January 1	\$ 535,923	504,256
Expected return	3,241	4,867
Remeasurements of net defined benefit liability (asset)		
- Return on plan assets (excluding current interest expense)	6,392	15,816
Contributions made	21,736	61,709
Benefits paid by the plan	(47,357)	(50,725)
Fair value of plan assets as of December 31	<u>\$ 519,935</u>	<u>535,923</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Current service cost	\$ 5,226	5,645
Net interest on the defined benefit liability (asset)	424	1,086
	<u>\$ 5,650</u>	<u>6,731</u>

The Group recognized pension costs of the defined benefit plans in profit or loss as follows:

	2021	2020
Operating costs	\$ 3,402	4,008
Operating expenses	1,972	2,328
Other income and expenses	276	290
Other receivables	-	105
	<u>\$ 5,650</u>	<u>6,731</u>

5) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	December 31, 2021	December 31, 2020
Discount rate	0.500%	0.625%
Future salary increases rate	1.500%	1.500%

The Group expects to make contributions of \$18,773 thousand to the defined benefit plans in the next year starting from the reporting date of 2021.

The weighted average duration of the defined benefit plan is 9.69 years for the year ended December 31, 2021.

6) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Group uses judgments and estimations to determine the related actuarial assumptions, including discount rate, employee turnover rates and future salary changes, as of the balance sheet date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

As of December 31, 2021 and 2020, the effects on the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	Effect on defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2021		
Discount rate	\$ (11,357)	11,661
Future salary increase rate	11,132	(10,893)
December 31, 2020		
Discount rate	(11,785)	12,142
Future salary increase rate	11,608	(11,330)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

The method and assumptions used on current sensitivity analysis is the same as those of the prior year.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(ii) Defined contribution plans

The Group has made monthly contributions equal to 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group contributes a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Group has implemented the pension costs under the defined contribution plan and allocates retirement funds in according to the local regulation, and recognized the retirement funds in each period as current expenses.

The Group's pension costs under the defined contribution plan were \$97,612 thousand and \$47,436 thousand for the years 2021 and 2020, respectively. Payments were made to the Bureau of Labor Insurance and to local government for the overseas subsidiaries.

(iii) Short-term employee benefit liabilities

	December 31, 2021	December 31, 2020
Compensated absence liabilities	\$ 50,242	48,138

(r) Income tax

(i) Income tax expenses

The amounts of the Group's income tax for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Current income tax expense		
Current period	\$ 873,721	412,974
Adjustment for prior periods	(192)	8,207
	873,529	421,181
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	295,154	(115,771)
Income tax expenses of continued operations	\$ 1,168,683	305,410

The amounts of the Group's income tax expenses recognized under other comprehensive income for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Items that will not be reclassified subsequently to profit or loss:		
Unrealized gains on equity instruments at fair value through other comprehensive income	\$ 21,345	-

Reconciliations of the Group's income tax expense (benefit) and the profit before tax for 2021 and 2020 were as follows:

	2021	2020
Income before tax	\$ 5,632,988	520,671
Income tax calculated on pretax accounting income at statutory rate	\$ 1,126,597	104,134
Effect of tax rates in foreign jurisdiction	130,283	50,257
Tax exempt income	(213,172)	(10,516)
Adjustment for prior periods	(192)	8,207
Foreign investment income	61,746	75,088
R&D tax credits utilized	(21,529)	(17,824)
Withholding tax of revenue from overseas	67,668	41,840
Land value increment tax	103,118	-
Change in unrecognized temporary differences	(83,695)	14,419
Regulations Governing the Utilization and Taxation of Repatriated offshore Funds	-	34,589
Others	(2,141)	5,216
Total	\$ 1,168,683	305,410

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(ii) Recognized deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2021. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 1,227,164
Unrecognized deferred tax liabilities	\$ 245,433

2) Unrecognized deferred tax assets

The Group's deferred tax assets have not been recognized in respect of the following items:

	December 31, 2021	December 31, 2020
The carryforward of unused tax losses	\$ -	83,695

Under the R.O.C. Income Tax Act, tax losses can be carried forward for ten years to offset taxable income. Deferred income tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available, against which, the Group can utilize the benefits therefrom.

3) As of December 31, 2021, the Group didn't have any unrecognized deferred tax assets for taxable losses.

Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities for 2021 and 2020 were as follows:

Deferred tax assets:

	Defined benefit plans	Allowance for inventory valuation	Loss carry-forward	Others	Total
Balance at January 1, 2021	\$ 2,718	63,332	90,382	131,997	288,429
Recognized in profit or loss	(2,718)	(17,586)	16,517	(31,208)	(34,995)
Balance at December 31, 2021	\$ -	45,746	106,899	100,789	253,434
Balance at January 1, 2020	\$ 13,731	50,752	53,522	102,434	220,439
Recognized in profit or loss	(11,013)	12,580	36,860	29,563	67,990
Balance at December 31, 2020	\$ 2,718	63,332	90,382	131,997	288,429

Deferred tax liabilities:

	Foreign investment income accounted for under equity method	Depreciation difference between financial and tax reporting	Land value increment tax	Others	Total
Balance at January 1, 2021	\$ 642,096	53,416	56,683	55,505	807,700
Recognized in profit or loss	201,284	46,080	-	12,795	260,159
Recognized in other comprehensive income	-	-	-	21,345	21,345
Balance at December 31, 2021	\$ 843,380	99,496	56,683	89,645	1,089,204
Balance at January 1, 2020	\$ 586,688	69,408	56,683	142,702	855,481
Recognized in profit or loss	55,408	(15,992)	-	(87,197)	(47,781)
Balance at December 31, 2020	\$ 642,096	53,416	56,683	55,505	807,700

(iii) Assessment of tax

The tax returns of the Company have been assessed by the tax authorities for all years through 2019.

(s) Capital and other equity

(i) Capital

In accordance with the Company's articles of incorporation, the capital share of the company amounted to \$12,000,000 thousand, divided into 1,200,000,000 shares, at NT\$10 per share.

As of December 31, 2021 and 2020, 825,709,978 shares of ordinary were issued.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(ii) Additional paid-in capital

The components of additional paid-in capital as of December 31, 2021 and 2020, were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Share premium	\$ 849	849
Overaging unclaimed dividends	49,876	48,682
	<u>\$ 50,725</u>	<u>49,531</u>

In accordance with the ROC Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Regulations Governing the offering and Issuance of Securities by Securities Issuer, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

(iii) Retained earnings

1) Legal reserve

The ROC Company Act stipulates that companies must retain 10% of their annual net earnings, as defined in the Act, until such retention equals the amount of issued share capital. When a company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or cash. Only the portion of legal reserve which exceeds 25% of the issued share capital may be distributed. In accordance with Rule No. 10802432410 issued by Ministry of Economic Affairs, R.O.C on January 9, 2020, the Company has to apply the profit distribution based on its financial statements in 2020, wherein the Company shall use the amount of net profit after tax, plus, those net amounts other than the net profits, which are recognized as undistributed surplus earnings, as the basis for the legal reserve.

2) Special earnings reserve

By choosing to apply exemptions granted under IFRS 1 First-time Adoption of International Financial Reporting Standards during the Company's first-time adoption of the IFRSs endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments (gains) under shareholders' equity were reclassified to retained earnings at the adoption date. An increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special earnings reserve during earnings distribution. However, when adjusted retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC are insufficient for the appropriation of a special earnings reserve at the transition date, the Company may appropriate a special earnings reserve up to the amount of increase in retained earnings. Upon the use, disposal, or reclassification of related assets, the Company may reverse the special earnings reserve proportionately. As a result of elections made according to IFRS 1, the Company has reclassified \$(103,035) thousand to retained earnings and is not required to appropriate a special earnings reserve.

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Distribution of retained earnings

In accordance with the Company's articles of incorporation amended on June 19, 2020, when allocating the earnings for each fiscal year, the Company may, after offsetting losses from previous years, and paying taxes, and setting aside any statutory and appropriated retained earnings of 10% by ordinary resolution, may draw up the allocation of the balance remaining as dividends, retained earnings or otherwise. The allocation shall be proposed by the Board of Directors and shall be resolved at the shareholders' general meeting. However, dividends issued in cash may be passed by the Board of Directors with more than two-thirds of the directors' attendance, and be resolved by more than half of the directors, then be reported to the shareholders' general meeting.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

In accordance with the original Company's articles of incorporation, when allocating the earnings for each fiscal year, the Company may, after offsetting losses from previous years, after paying taxes as per the law, and after 10% of the statutory surplus reserve is raised before the special surplus reserve is set up or turned over under the Securities and Exchange Act, the balances, when added to the unallocated surplus in the preceding period, are thereafter available for distribution and a surplus allocation proposal is submitted.

For the distribution based on the above of paragraph, the cash dividend shall not be less than 20% of the total distribution.

The above-mentioned distribution of surplus shall be drawn up by the Board of Directors and shall be submitted to the shareholders' meeting for resolution.

The distribution of 2020 and 2019 earnings as dividends to stockholders that were approved by the Company's shareholders' general meetings on August 4, 2021 and June 19, 2020, respectively, were as follows:

	2020		2019	
	Amount per share (NTD)	Total Amount	Amount per share (NTD)	Total Amount
Dividends distributed to ordinary stockholders:				
Cash (earnings)	\$ 0.36	<u>297,256</u>	0.50	<u>412,855</u>

On March 10, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings. These earnings were appropriated as follows:

	2021	
	Amount per share (NTD)	Total Amount
Dividends distributed to common shareholders:		
Cash	\$ 2.40	<u>1,981,704</u>

(iv) Other equities (net for tax)

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total
Balance as of January 1, 2021	\$ (198,125)	558,902	(81,119)	279,658
Foreign exchange differences arising from foreign operations	(268,275)	-	-	(268,275)
Exchange differences on translation financial statements from investments accounted for using equity method	9,692	-	-	9,692
Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	-	488,157	-	488,157
Share of cash flow hedges of associates and joint ventures accounted for under equity method	-	-	54,272	54,272
Balance as of December 31, 2021	<u>\$ (456,708)</u>	<u>1,047,059</u>	<u>(26,847)</u>	<u>563,504</u>
Balance as of January 1, 2020	\$ 23,383	711,094	(80,526)	653,951
Foreign exchange differences arising from foreign operations	(270,203)	-	-	(270,203)
Exchange differences on translation financial statements from investments accounted for using equity method	48,695	-	-	48,695
Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	-	(67,869)	-	(67,869)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(84,323)	-	(84,323)
Share of cash flow hedges of associates and joint ventures accounted for under equity method	-	-	(593)	(593)
Balance as of December 31, 2020	<u>\$ (198,125)</u>	<u>558,902</u>	<u>(81,119)</u>	<u>279,658</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(t) Earnings per share

The calculations of the Company's basic earnings (losses) per share and diluted earnings (losses) per share was as follows:

(i) Basic earnings (losses) per share

	2021	2020
Net income (loss) attributable to common shareholders of the Company	\$ 3,930,939	(21,891)
Weighted-average number of common shares (in thousands)	825,710	825,710
Basic earnings (losses) per share (NTD)	\$ 4.76	(0.03)

(ii) Diluted earnings (losses) per share

	2021	2020
Net income (loss) attributable to common shareholders of the Company (diluted)	\$ 3,930,939	(21,891)
Weighted-average number of common shares (basic) (in thousands)	825,710	825,710
Impact on potential common shares		
Effect on employees' compensation (in thousands)	4,515	-
Weighted-average number of shares outstanding (diluted) (in thousands)	830,225	825,710
Diluted earnings (losses) per share (NTD)	\$ 4.73	(0.03)

(u) Remuneration to employees and directors

In accordance with the Company's articles of incorporation, if there is profit for the year, the Company should contribute more than 1% of its profit as employee remuneration, and less than 1% as directors' remuneration. The related regulations on the distribution of remunerations to employees and directors will have to be approved by the Board of Directors.

For the years ended December 31, 2021 and 2020, the Company recognized the employees' compensation of \$171,609 thousand and \$40,750 thousand, respectively, and the directors' remuneration of \$22,677 thousand and \$616 thousand, respectively. The amounts were estimated based on the profit-sharing percentages set by the Articles of Incorporation and were recorded as operating cost or operating expenses in the respective periods. Related information would be available at the Market Observation Post System website. There were no differences between the amounts distributed by the Board of Directors and the estimated amounts in the Company's consolidated financial reports for the years of 2021 and 2020.

(v) Revenue from contracts with customers

	2021		
	Synthetic rubber	Non-synthetic rubber	Total
Primary geographical markets:			
Asia	\$ 22,784,625	1,078,285	23,862,910
Americas	4,661,513	14,036	4,675,549
Europe	3,181,003	65	3,181,068
Others	813,711	-	813,711
	<u>\$ 31,440,852</u>	<u>1,092,386</u>	<u>32,533,238</u>
Major product lines:			
Synthetic rubber / elastomers	\$ 31,152,950	-	31,152,950
Applied materials	-	1,088,446	1,088,446
Others	287,902	3,940	291,842
	<u>\$ 31,440,852</u>	<u>1,092,386</u>	<u>32,533,238</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	2020		
	Synthetic rubber	Non-synthetic rubber	Total
Primary geographical markets:			
Asia	\$ 16,586,438	843,653	17,430,091
Americas	3,475,775	6,870	3,482,645
Europe	2,515,967	29	2,515,996
Others	595,711	-	595,711
	<u>\$ 23,173,891</u>	<u>850,552</u>	<u>24,024,443</u>
Major product lines:			
Synthetic rubber / elastomers	\$ 22,355,033	-	22,355,033
Applied materials	-	837,387	837,387
Others	818,858	13,165	832,023
	<u>\$ 23,173,891</u>	<u>850,552</u>	<u>24,024,443</u>
(w) Other income and expenses			
		2021	2020
Rental income	\$	75,865	67,073
Royalty income		167,241	82,656
Net service income		10,150	24,211
Depreciation of investment properties		(14,725)	(14,726)
Net other income		33,014	23,645
Other income and expenses	\$	<u>271,545</u>	<u>182,859</u>
(x) Non-operating income and expenses			
(i) Interest income			
		2021	2020
Interest income from bank deposits	\$	<u>30,076</u>	<u>46,923</u>
(ii) Other gains			
		2021	2020
Dividend income	\$	<u>66,256</u>	<u>62,290</u>
(iii) Other gains and losses			
		2021	2020
Gains or losses on disposal of property, plant and equipment	\$	900,164	(127,553)
Foreign exchange gain or loss, net		(53,582)	60,615
Gains or losses on financial assets (liabilities) at fair value through profit or loss		63,629	(38,540)
Impairment loss on intangible assets		-	(495,745)
Other gains and losses		7,046	12,427
Other gains and losses, net	\$	<u>917,257</u>	<u>(588,796)</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(iv) Finance costs

	2021	2020
Interest expense	<u>\$ 110,741</u>	<u>123,569</u>

(y) Reclassification of components of other comprehensive income

The changes in components of other comprehensive income were as follows:

	2021	2020
Effective portion of cash flow hedges:		
Net gains (losses) for current year	\$ 29,376	(29,380)
Less: Adjustment of reclassification included in profit or loss	<u>(24,896)</u>	<u>(28,787)</u>
Net gains (losses) recognized in other comprehensive income	<u>\$ 54,272</u>	<u>(593)</u>

(z) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum credit risk exposure of the Group's financial assets is equal to their carrying amount. As of December 31, 2021 and 2020, the maximum credit risk exposure amounted to \$10,780,140 thousand, and \$7,837,492 thousand, respectively.

2) Concentration of credit risk

The Group's cash and cash equivalents and accounts receivable are the main source of potential credit risk. The Group deposits its cash and cash equivalents in different financial institutions and has no concentration of credit risk on an individual customer. Therefore, the Group concluded that it is not exposed to credit risk.

The Group guarantees bank loans for investees. The Group concluded that it is not exposed to credit risk for these transactions.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	<u>Contractual cash flows</u>	<u>Within 6 months</u>
December 31, 2021		
Non-derivative financial liabilities		
Short-term borrowings	\$ 4,029,764	3,721,255
Accounts payable (including related parties)	1,538,292	1,538,292
Other payables	1,560,933	1,560,933
Long-term borrowings (including other long-term borrowings and current portion)	3,169,756	607,584
Lease liabilities	491,077	84,389
Deposits received	48,177	-
Derivative financial liabilities		
Other swap contracts:		
Outflow	356	356
	<u>\$ 10,838,355</u>	<u>7,512,809</u>
December 31, 2020		
Non-derivative financial liabilities		
Short-term borrowings	\$ 3,795,442	3,675,788
Accounts payable (including related parties)	1,643,264	1,643,264
Other payables	1,204,135	1,204,135
Long-term borrowings (including other long-term borrowings and current portion)	4,910,796	1,239,315
Lease liabilities	653,406	71,505
Deposits received	62,118	-
Derivative financial liabilities		
Other swap contracts/other forward contracts:		
Outflow	32,628	32,628
	<u>\$ 12,301,789</u>	<u>7,866,635</u>

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
	308,509	-	-	-
	-	-	-	-
	-	-	-	-
	244,368	1,046,502	1,271,302	-
	46,472	73,131	154,206	132,879
	-	33,810	11,247	3,120
	-	-	-	-
	<u>599,349</u>	<u>1,153,443</u>	<u>1,436,755</u>	<u>135,999</u>
	119,654	-	-	-
	-	-	-	-
	-	-	-	-
	1,593,226	1,084,767	993,488	-
	71,505	120,293	191,367	198,736
	-	46,461	12,536	3,121
	-	-	-	-
	<u>1,784,385</u>	<u>1,251,521</u>	<u>1,197,391</u>	<u>201,857</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(iii) Currency risk

1) Risk exposure

The Group's financial assets and financial liabilities exposed to significant currency risk were as follows:

	<u>Foreign currency (thousand dollars)</u>	<u>Exchange rate</u>	<u>NTD</u>
December 31, 2021			
Financial assets:			
Monetary assets:			
USD	\$ 95,757	27.6900	2,651,511
EUR	\$ 19,073	31.3035	597,052
JPY	\$ 262,873	0.2404	63,195
CNY	\$ 84,779	4.3446	368,331
Financial liabilities:			
Monetary liabilities:			
USD	\$ 92,364	27.6900	2,557,559
EUR	\$ 15,702	31.3035	491,528
JPY	\$ 235,269	0.2404	56,559
December 31, 2020			
Financial assets:			
Monetary assets:			
USD	\$ 76,191	28.5080	2,172,053
EUR	\$ 8,197	35.0563	287,356
JPY	\$ 36,134	0.2765	9,991
CNY	\$ 22,490	4.3813	98,535
Financial liabilities:			
Monetary liabilities:			
USD	\$ 84,000	28.5080	2,394,672
EUR	\$ 6,212	35.0563	217,770
JPY	\$ 27,409	0.2765	7,579

2) Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts and other receivables, borrowings, and accounts and other payables that were denominated in foreign currencies. If the NTD against the foreign currencies had depreciated / appreciated by 1%, the Group's net income before tax would have increased / decreased by \$5,744 thousand for the year ended December 31, 2021, the Group's net income before tax would have decreased / increased by \$521 thousand for the year ended December 31, 2020, respectively, with all other variable factors remaining constant. The analysis was performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

Since the Group has many kinds of functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed by gross amount. For the years ended December 31, 2021 and 2020, foreign exchange gain (including Derivative financial instruments for non-hedging profit and loss) amounting to \$10,047 thousand and \$22,075 thousand, respectively.

(iv) Interest rate risk analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates of the non-derivative financial instruments at the reporting date. For floating-rate instruments, the sensitivity analysis assumes the floating-rate liabilities as of the reporting date are outstanding for the whole year.

If the interest rate had increased / decreased by 1%, the Group's net income before tax would have decreased / increased by \$71,102 thousand and \$86,025 thousand for the years ended December 31, 2021 and 2020, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(v) Fair value

1) Hierarchy and fair value of financial instruments

Except for the followings, carrying amounts of the Group's financial assets and liabilities are valued approximately to their fair values. No additional fair value disclosure is required in accordance to the regulations.

	December 31, 2021				
	Carrying amount	Fair value			Total
Level 1		Level 2	Level 3		
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 7,702	-	7,702	-	7,702
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	668,140	668,140	-	-	668,140
Unlisted stocks (domestic and overseas)	792,446	-	-	792,446	792,446
Subtotal	1,460,586	668,140	-	792,446	1,460,586
Total	\$ 1,468,288	668,140	7,702	792,446	1,468,288
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 356	-	356	-	356

	December 31, 2020				
	Carrying amount	Fair value			Total
Level 1		Level 2	Level 3		
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 3,460	-	3,460	-	3,460
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic and overseas)	952,645	-	-	952,645	952,645
Total	\$ 956,105	-	3,460	952,645	956,105
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 32,628	-	32,628	-	32,628

2) Valuation techniques and assumptions used in fair value determination

If the financial instruments held by the Group have the quoted market price in active market, the fair value of the assets is based on the quoted market price. However, if the instruments have no quoted market price in active market, the Group uses market comparison approach to evaluate the fair value. The main assumption is based on the investee's earnings after tax and the listed (over the counter) company's earnings used in computing the market price. The estimated price has been discounted due to the price of the securities lacks the liquidity. The liquidity discount is a significant unobservable input in valuing equity investment. Forward exchange contracts are normally priced based on the exchange rates provided by the world agencies.

3) Reconciliation of Level 3 fair values

	Unquoted equity instruments
Balance at January 1, 2021	\$ 952,645
Total gains:	
Recognized in other comprehensive income	423,391
Transfer into level 1	(583,590)
Balance at December 31, 2021	\$ 792,446
Balance at January 1, 2020	\$ 1,022,688
Total gains:	
Recognized in other comprehensive income	(70,043)
Balance at December 31, 2020	\$ 952,645

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Since Evergreen Steel Corporation was listed in April 2021, its fair value measurement was transferred from the level 3 to level 1.

4) Quantifies information on significant unobservable inputs (Level 3) used in fair value measurement

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income-equity investments without an active market	Comparative listed company	<ul style="list-style-type: none">Multipliers of price-to-earnings ratios as of December 31, 2021 and December 31, 2020 was all 9.45~20.31 and 15.62~17.80, respectivelyMultipliers of price-book ratios as of December 31, 2020 were 1.38Market liquidity discount rate as of 20%	<ul style="list-style-type: none">the estimated fair value would have been higher if the price-to-earnings and price-book ratios would be higher.the estimated fair value would have been higher if the market liquidity discount would be lower.

5) Fair value measurements in Level 3 - sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	Input	Move up or down	Other comprehensive income	
			Favorable	Unfavorable
December 31, 2021				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	\$ 9,904	(9,904)
December 31, 2020				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	\$ 11,912	(11,912)

The favorable and unfavorable effects represent the changes in fair value, and the fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(aa) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note discloses information about the Group's exposure to the aforementioned risks, and its goals, policies, and procedures regarding the measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the financial report.

(ii) Risk management framework

The Group's finance department is responsible for the establishment and management of the Group's risk management framework and policies. It is overseen by and reports to management, the Audit Committee, and the Board of Directors regarding the framework's operations.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit, with un-

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

dertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Accounts receivable and Notes Receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group's Accounts Receivable and Notes Receivable are mainly due from customers in China, each constituting 26% of the total amount of the receivables as of December 31, 2021, and 2020.

The sales department and the finance department of the Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes the history of transactions with the counterparty, its financial position, and geographic considerations. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Goods are sold subject to a retention of title clause so that in the event of non-payment, the Group may have a secured claim. The Group otherwise does not require collateral in respect of trade and other receivables.

The Group has established an allowance for doubtful accounts to reflect its actual and estimated potential losses resulting from uncollectible accounts and trade receivables. The allowance for doubtful accounts consists primarily of specific losses regarding individual customers and estimates of potential losses based on the use of lifetime expected credit loss provision.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments is measured and monitored by the Group's finance department. Since those who transact with the Group are banks and other external parties with good credit standing, financial institutions with a credit rating above investment grade, and government agencies, there are no non-compliance issues. With regard to investment in a financial institution with a credit rating above investment grade, an investment limit is set according to the long-term credit rating. Hence, there is no significant credit risk.

3) Guarantees

The Group's policy allows it to provide financial guarantees to business partners or to related parties and jointly controlled entities according to its percentage ownership in these entities. Financial guarantees provided by the Group as of December 31, 2021 and 2020, are disclosed in note 7 "Related-party Transactions."

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Generally, the Group ensures that it maintains sufficient cash and unused loans to meet expected operational expenses, including the fulfillment of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of the Group. The currencies used in these transactions are NTD, USD, EUR, JPY and CNY.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Foreign exchange gains and losses resulting from account and trade receivables held by the Group in a currency other than the respective functional currencies are used to offset foreign exchange gains and losses resulting from short-term loans denominated in a foreign currency. Hence, the Group's risk exposure to foreign exchange risk is reduced.

Interest expenses are denominated in the same currency as that of the principal. Generally, the currency of loans matches that of the Group's operating cash flow, primarily consisting of NTD, USD, EUR, JPY, and CNY.

With regard to monetary assets and liabilities denominated in a foreign currency, when a short-term risk exposure exists, the Group relies on immediate foreign exchange transactions to ensure the net exposure to foreign exchange risk is maintained at an acceptable level.

The Group does not hedge against investments of related parties.

2) Interest rate risk

The interest rates of the Group's long-term and short-term borrowings are floating. Hence, changes in market conditions will cause fluctuations in the effective interest rate of the aforementioned loans. The Group's finance department monitors and measures potential changes in market conditions, entering into interest rate swaps to achieve a fixed interest rate on the Group's loans.

3) Other market price risk

The Group does not enter into any commodity contracts other than to meet the Group's expected usage and sales requirements; such contracts are not settled on a net basis.

(ab) Capital management

The Group's goal of capital management is to ensure the Group's continuing operating capacity, and to continuously provide remuneration to the shareholders and benefits to other equity holders. To ensure that the above-mentioned goal is achieved, the Group's management reviews its capital structure periodically. In consideration of the overall economic situation, financing cost and sufficiency of cash in-flows generated by operating activities, the Group will adjust its capital structure by paying dividends, issuing new stock, purchasing treasury stock, increasing or decreasing loans, and issuing or purchasing bonds.

The Group's capital structure at the end of the reporting period were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	\$ 12,705,945	13,409,723
Total equity	<u>20,123,818</u>	<u>15,858,659</u>
Total assets	<u>\$ 32,829,763</u>	<u>29,268,382</u>
Debts ratio	<u>39%</u>	<u>46%</u>

As of December 31, 2021, the debts ratio decreased is mainly resulted from increasing profit and loan repayments.

(ac) Investing and financing activities not affecting current cash flow

The Group did not have non-cash flow transactions on investing and financing activities for the years ended December 31, 2021 and 2020.

(ad) Reconciliation of liabilities arising from financing activities

Reconciliations of liabilities arising from financing activities for the years ended December 31, 2021 and 2020 was as follows:

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>December 31, 2021</u>
			<u>Foreign exchange movement</u>	<u>Amortization of commercial paper discount</u>	<u>Others</u>	
Long-term borrowings (including current portion)	\$ 4,463,864	(1,682,714)	(27,218)	-	-	2,753,932
Other long-term borrowings	349,341	-	-	581	-	349,922
Short-term borrowings	3,789,276	299,003	(81,914)	-	-	4,006,365
Lease liabilities	632,090	(145,875)	(12,142)	3,463	8,747	486,283
Total liabilities from financing activities	<u>\$ 9,234,571</u>	<u>(1,529,586)</u>	<u>(121,274)</u>	<u>4,044</u>	<u>8,747</u>	<u>7,596,502</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	January 1, 2020	Cash flows	Non-cash changes			December 31, 2020
			Foreign exchange movement	Amortization of commercial paper discount	Others	
Long-term borrowings (including current portion)	\$ 4,959,940	(446,716)	(49,360)	-	-	4,463,864
Other long-term borrowings	349,287	-	-	54	-	349,341
Short-term borrowings	4,729,148	(867,094)	(72,778)	-	-	3,789,276
Lease liabilities	861,631	(173,607)	(2,479)	6,775	(60,230)	632,090
Total liabilities from financing activities	<u>\$ 10,900,006</u>	<u>(1,487,417)</u>	<u>(124,617)</u>	<u>6,829</u>	<u>(60,230)</u>	<u>9,234,571</u>

<7> Related-party transactions

(a) Parent company and ultimate controlling party

Montrion Corporation is the ultimate controlling party of the Company. It indirectly controls Han-De Construction Co., Ltd. and Wei-Dar Development Co., Ltd., who held more than half of the members of the directors of the Company through their shares.

(b) Names and relationship with related parties

In this consolidated financial report, the related parties having transactions with the Group are listed as below:

Name of related party	Relationship with the Group
Indian Synthetic Rubber Private Limited	The Group recognized joint venture under equity method
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	The Group recognized associates under equity method
Asia Pacific Energy Development Co., Ltd.	"
Nantong Qix Storage Co., Ltd.	The Group recognized joint venture under equity method
Marubeni Corporation	Corporate director of one consolidated entity
UBE Industrial Ltd.	"
Metropolis Property Management Corporation	Other related parties of the Group
Continental Engineering Corporation	"
WFV Corporation	"
UBE (Shanghai) Ltd.	Subsidiary of corporate director of one consolidated entity

(c) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales by the Group to related parties were as follows:

	2021	2020
Associates	<u>\$ 6,837</u>	<u>5,805</u>

The sales price with related parties is not significantly different from normal transactions, and the payment terms were about one month.

(ii) Purchases

The amounts of purchase transactions with related parties were as follows:

	2021	2020
Other related parties	<u>\$ 304,804</u>	<u>102,188</u>

There were no significant differences between the pricing of purchase transactions with related parties and that with other suppliers. The payment terms ranged from one to two months, which were similar to other suppliers.

(iii) Service income and expenses

The Group provided and received warehouse, management, technologies and IT services to associates, joint ventures, and other related parties. The amounts recognized as revenue, other income and expenses were as follows:

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	2021	2020
Associates		
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 155,442	143,637
Joint ventures		
Indian Synthetic Rubber Private Limited	71,256	42,370
Others joint ventures	7,263	2,808
Other related parties		
Others related parties	(15,357)	(14,137)
	<u>\$ 218,604</u>	<u>174,678</u>

(iv) Lease - Rent income

	2021	2020
Other related parties	<u>\$ 4,472</u>	<u>4,472</u>

The amount of rent is based on neighboring rent, and the rental is collected monthly from other related parties.

(v) Receivables from related parties

The details of the Group's receivables from related parties were as follows:

Account	Type of related parties	December 31, 2021	December 31, 2020
Other receivables	Associates		
	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 29,013	22,154
Other receivables	Joint ventures		
	Indian Synthetic Rubber Private Limited	18,192	17,183
	Others	733	235
		<u>\$ 47,938</u>	<u>39,572</u>

(vi) Payables to related parties

The details of the Group's payables to related parties were as follows:

Account	Type of related parties	December 31, 2021	December 31, 2020
Accounts payable	Other related parties	\$ 1,316	-
Other payables	Other related parties	1,817	1,226
		<u>\$ 3,133</u>	<u>1,226</u>

(vii) Guarantees

The credit limits of the guarantees the Group had provided to the bank for related parties were as follows:

	December 31, 2021	December 31, 2020
Associates		
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 500,576	1,577,416
Joint ventures		
Indian Synthetic Rubber Private Limited	922,077	949,316
	<u>\$ 1,422,653</u>	<u>2,526,732</u>

Accordingly, the amounts of the Group recognized provision liabilities and investments accounted for under the equity method were as follows:

	December 31, 2021	December 31, 2020
Associates		
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 1,782	733
Joint ventures		
Indian Synthetic Rubber Private Limited	25,975	31,086
	<u>\$ 27,757</u>	<u>31,819</u>

(d) Key management personnel transactions

The compensation of the key management personnel comprised the following:

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	2021	2020
Short-term employee benefits	\$ 140,150	117,037
Post-employment benefits	1,225	1,186
	<u>\$ 141,375</u>	<u>118,223</u>

<8> Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2021	December 31, 2020
Restricted savings deposits (recorded as other non-current assets)	Bank guarantee for electricity usage	\$ 1,153	1,173
Machinery etc. (recorded as property, plant and equipment)	Guarantee for long-term borrowings	148,688	269,284
		<u>\$ 149,841</u>	<u>270,457</u>

<9> Commitments and contingencies

(a) The unused letters of credit outstanding

	December 31, 2021	December 31, 2020
The Group's unused letters of credit outstanding	<u>\$ 842,971</u>	<u>1,284,162</u>

(b) Total amounts and the cumulative payments of group's signed construction and design contracts with several vendors as follows:

	December 31, 2021	December 31, 2020
Total amounts of construction in progress contracts	<u>\$ 377,273</u>	<u>2,851,593</u>
Cumulative payments	<u>\$ 305,883</u>	<u>2,342,971</u>

<10> Losses Due to Major Disasters: None.

<11> Subsequent Events: None.

<12> Other

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By nature \ By function	Year ended December 31, 2021			Year ended December 31, 2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	904,453	683,656	1,588,109	777,728	625,709	1,403,437
Labor and health insurance	91,960	59,449	151,409	83,687	56,970	140,657
Pension	71,396	31,866	103,262	29,323	24,844	54,167
Others (note 1)	226,863	160,722	387,585	152,379	78,107	230,486
Depreciation (note 2)	929,625	143,418	1,073,043	814,422	189,713	1,004,135
Amortization	7,096	115,476	122,572	5,256	132,297	137,553

Note1 : Other personnel expenses included meals, employee welfare, training expenses and employees' bonus.

Note2 : Depreciation expenses excluded expenses for investment property recognized under other income and expenses, amounting to \$14,725 thousand and \$14,726 thousand for the years ended December 31, 2021 and 2020 respectively.

(b) To comply with the policy, Shen Hua signed a relocation compensation contract with Nantong Management Office and Nantong Nengda on December 4, 2021. It also signed an investment agreement for its new factories with Nantong Management Office at the compensated amount of CNY 479,677 thousand. Following the agreement schedule, Shen Hua will return the right to use the land after moving and demolishing its immovable assets in 2024. As for the movable assets, they will be transported to the new factories for further operation. For the year ended December 31, 2021, the Group recognized provision for demolition and relocation amounting to NTD 241,779 thousand.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<13> Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the years ended December 31, 2021:

(i) Loans to other parties:

Information on significant transactions:

No	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance
1	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	Loan	Yes	231,631	230,264
2	Polybus Corporation Pte Ltd	TSRC	Account receivable-related parties	Yes	684,744	664,560
3	TSRC (Hong Kong) Limited	TSRC	Account receivable-related parties	Yes	171,186	166,140
4	TSRC (Hong Kong) Limited	TSRC (Vietnam) Co., Ltd.	Account receivable-related parties	Yes	110,760	110,760
5	TSRC Specialty Materials LLC	TSRC (USA) Investment Corporation	Account receivable-related parties	Yes	427,965	415,350

Note 1: The loan limit extended per party should not be over 10% of total equity. However, if the counterparty is a subsidiary 100% owned, directly or indirectly by TSRC, the loan limit extended per party should not be over 50% of the total equity of the most recent financial statements audited or reviewed by a CPA.

Note 2: The maximum loan extended to all parties should not be over 40% of total equity. However, if the counterparty is a subsidiary 100.00% owned, directly or indirectly by TSRC, the total loan limit should not be over 100% of total equity of the most recent financial statements audited or reviewed by a CPA.

Note 3: The fund of loan and the loan to the other party are 100.00% owned by TSRC.

Note 4: Credit period: The financing period should not be over one year.

Note 5: Loans to other parties numbering is as follows:

- (1) if it's ordinary business relationship, the number is "1".
- (2) if it needs short-term financial funds, the number is "2".

Note 6: The transactions within the Group were eliminated in the consolidated financial statements.

(b) Guarantees and endorsements for other parties:

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements
		Name	Relationship with the company			
0	TSRC	TSRC (USA) Investment Corporation	4	(Note2)	835,980	830,700 (Note4)
0	TSRC	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	6	(Note2)	1,561,828	500,576 (Note4)
0	TSRC	Indian Synthetic Rubber Private Limited	6	(Note2)	950,082	922,077
0	TSRC	TSRC (Vietnam) Co., Ltd.	4	(Note2)	631,287	628,563
0	TSRC	TSRC Specialty Materials LLC	4	(Note2)	285,310	276,900

Note 1: The guarantee's relationship with the guarantor is as follows:

- (1) A company with which it does business.
- (2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
- (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
- (4) A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
- (5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Unit: thousand NTD

Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company (Note 1)	Maximum financing limit for the lender (Note 2)
						Item	Value		
-	3.698%	2	-	Operating capital	-		-	176,149	352,298
-	0.288%	2	-	Operating capital	-		-	4,570,861	9,141,721
-	0.284%	2	-	Operating capital	-		-	1,836,168	3,672,336
-	0	2	-	Operating capital	-		-	1,836,168	3,672,336
235,365	0.12%~0.33%	2	-	Operating capital	-		-	1,181,518	2,363,035

Unit: thousand NTD

Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of company in Mainland China
107,991	-	4.61%	(Note3)	Y		
13,103	-	2.78%	(Note3)			Y
491,498	-	5.12%	(Note3)			
382,122	-	3.49%	(Note3)	Y		
118,064	-	1.54%	(Note3)	Y		

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(7) Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The guaranteed amount by the Company is limited to 60% of total equity amounting to \$10,815,570 thousand.

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to \$27,038,925 thousand.

Note 4: Party of guarantee and endorsement: The board of director approved the contract renewal before the old contract expired. During the board of director approval date to the new contract effective date, the balance of guarantees was calculated repeatedly. If the repeated amounts were excluded, the ending balance of guarantees of TSRC (USA) Investment Corporation and ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd. amounted to \$415,350 thousand and \$457,130 thousand, respectively.

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of security	Relationship with the security issuer	Account name
TSRC	Evergreen Steel Corporation	-	Financial assets at fair value through other comprehensive income - non-current
TSRC	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current
TSRC	Hsin-Yung Enterprise Corporation	-	Financial assets at fair value through other comprehensive income - non-current
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount
TSRC	Kaohsiung City, Renwu district's land and property	2021.03.11	1999.07.29	201,665	1,220,000

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Counter-party	Relationship
TSRC (Lux.) Corporation S.A R.L.	TSRC	Parent and subsidiary companies
TSRC	TSRC (Lux.) Corporation S.A R.L.	Parent and subsidiary companies
TSRC Specialty Materials LLC	TSRC	Parent and subsidiary companies
TSRC	TSRC Specialty Materials LLC	Parent and subsidiary companies
TSRC-UBE (Nantong) Industries Ltd.	Marubeni Corporation	A director of TSRC-UBE (Nantong) Industries Ltd.
Shen Hua Chemical Industries Co., Ltd.	Marubeni Corporation	A director of Shen Hua Chemical Industries Co., Ltd.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Unit: thousand NTD

Number of shares	Ending balance			Maximum investment in 2021	Remarks
	Book value	Holding percentage	Market value		
12,148,000	668,140	2.89%	668,140	209,878	
599,999	171,869	5.42%	171,869	65,143	
5,657,000	380,660	3.90%	380,660	64,296	
837,552	<u>239,917</u>	7.57%	<u>239,917</u>	<u>52,865</u>	
	<u>1,460,586</u>		<u>1,460,586</u>	<u>392,182</u>	

Unit: thousand NTD

Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
According to the signing contract of the sale and purchase of real estate	909,118	CHEN TA HSIUNG DEVELOPMENT CO., LTD.	Non-related parties	activates its assets	Appraisal of real estate report	None

Unit: thousand NTD

Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Purchase	282,161	11.35%	70 days	-		(71,287)	(13.41)%	
Sale	(282,161)	(2.53)%	70 days	-		71,287	4.44%	
Purchase	298,138	10.78%	70 days	-		(94,756)	(28.12)%	
Sale	(298,138)	(2.67)%	70 days	-		94,756	5.90%	
Purchase	127,037	6.28%	14days	-		1,315	1.08%	
Purchase	177,767	3.11%	14days	-		-	-	

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Name of company	Counter-party	Relationship
Polybus Corporation Pte Ltd	TSRC (Nantong) Industries Ltd.	Related parties
TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd	Related parties
Polybus Corporation Pte Ltd	Shen Hua Chemical Industries Co., Ltd.	Related parties
Shen Hua Chemical Industries Co., Ltd.	Polybus Corporation Pte Ltd	Related parties
TSRC (Lux.) Corporation S.A R.L.	TSRC Specialty Materials LLC	Related parties
TSRC Specialty Materials LLC	TSRC (Lux.) Corporation S.A R.L.	Related parties
TSRC (Lux.) Corporation S.A R.L.	TSRC (Nantong) Industries Ltd.	Related parties
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.A R.L.	Related parties

Note 1: The transactions within the Group were eliminated in the consolidated financial statements.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of related party	Counter-party	Relationship
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.A R.L.	Related parties
TSRC Specialty Materials LLC	TSRC (Lux.) Corporation S.A R.L.	Related parties
TSRC Specialty Materials LLC	TSRC (USA) Investment Corporation	Related parties

Note 1: Transactions within the Group were eliminated in the consolidated financial statements.

Note 2: Until March 10, 2022.

(ix) Trading in derivative instruments: Please refer to note 6(b).

(x) Business relationships and significant intercompany transactions:

No.	Name of Company	Name of counter party	Existing relationship with the counter-party
0	TSRC	TSRC (Nantong) Industries Ltd.	1
0	TSRC	TSRC (Nantong) Industries Ltd.	1
0	TSRC	TSRC (Lux.) Corporation S.A R.L.	1
0	TSRC	TSRC (Lux.) Corporation S.A R.L.	1
0	TSRC	Polybus Corporation Pte Ltd	1
0	TSRC	TSRC Specialty Materials LLC	1

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Re- marks
Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Purchase	254,450	38.20%	40days	-		(53,175)	(38.32)%	
Sale	(254,450)	(4.48)%	40days	-		53,175	6.97%	
Purchase	367,934	55.24%	40days	-		(72,975)	(52.10)%	
Sale	(367,934)	(4.59)%	40days	-		72,975	4.86%	
Purchase	655,296	26.36%	90 days	-		(165,389)	(31.12)%	
Sale	(655,296)	(15.33)%	90 days	-		165,389	28.82%	
Purchase	1,545,396	62.15%	70 days	-		(303,804)	(57.16)%	
Sale	(1,545,396)	(27.22)%	70 days	-		303,804	39.83%	

Unit: thousand NTD

Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period (Note 2)	Allowances for bad debts
		Amount	Action taken		
303,804	7.78	-		214,637	-
165,389	6.13	-		119,595	-
235,365	-	-		235,365	-

Transaction details			
Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
Sales revenue	99,611	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.31%
Other income and expenses	71,580	"	0.22%
Sales revenue	282,161	"	0.87%
Accounts receivable	71,287	"	0.22%
Sales revenue	43,319	"	0.13%
Sales revenue	298,138	"	0.92%

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

No.	Name of Company	Name of counter party	Existing relationship with the counter-party
0	TSRC	TSRC Specialty Materials LLC	1
0	TSRC	TSRC (Nantong) Industries Ltd.	1
1	TSRC (Nantong) Industries Ltd.	TSRC	2
1	TSRC (Nantong) Industries Ltd.	TSRC (Shanghai) Industries Ltd.	3
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd	3
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd	3
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.A R.L.	3
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.A R.L.	3
1	TSRC (Nantong) Industries Ltd.	TSRC-UBE (Nantong) Industries Ltd.	3
1	TSRC (Nantong) Industries Ltd.	TSRC Specialty Materials LLC	3
2	TSRC Specialty Materials LLC	TSRC (Lux.) Corporation S.A R.L.	3
2	TSRC Specialty Materials LLC	TSRC (Lux.) Corporation S.A R.L.	3
3	Shen Hua Chemical Industries Co., Ltd.	Polybus Corporation Pte Ltd	3
3	Shen Hua Chemical Industries Co., Ltd.	Polybus Corporation Pte Ltd	3
4	TSRC (Lux.) Corporation S.A R.L.	TSRC	2
2	TSRC Specialty Materials LLC	TSRC (USA) Investment Corporation	3

Note1 : Company numbering is as follows:

(1) Parent company - 0.

(2) Subsidiary starts from 1.

Note2 : The number of the relationship with the transaction counterparty represents the following:

(1) 1 represents downstream transactions.

(2) 2 represents upstream transactions.

(3) 3 represents midstream transactions.

Note3 : For balance sheet items, over 0.1% of total consolidated assets, and for profit or loss items, over 0.1% of total consolidated revenue were selected for disclosure.

Note4 : The transactions within the Group were eliminated in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2021 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business
TSRC	Trimurti Holding Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
TSRC	Hardison International Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
TSRC	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Transaction details			
Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
Accounts receivable	94,756	"	0.29%
Other income and expenses	59,317	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.18%
Sales revenue	33,710	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.10%
Sales revenue	53,730	"	0.17%
Sales revenue	254,450	"	0.78%
Accounts receivable	53,175	"	0.16%
Sales revenue	1,545,396	"	4.75%
Accounts receivable	303,804	"	0.93%
Other income and expenses	251,620	"	0.77%
Sales revenue	36,101	"	0.11%
Sales revenue	655,296	The transaction is not significantly different from normal transactions, and the collection terms were about three months	2.01%
Accounts receivable	165,389	"	0.50%
Sales revenue	367,934	The transaction is not significantly different from normal transactions, and the collection terms were about two months	1.13%
Accounts receivable	72,295	"	0.22%
Other income and expenses	47,403	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.15%
Entrusted loans	235,365	The transaction is not significantly different from normal transactions, and the collection terms were about three months	0.72%

Unit: thousand NTD/thousand USD/thousand EUR

Original cost		Ending balance			Maximum investment amount in 2021	Net income (loss) of investee	Investment income (loss)	Remarks
December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Book value				
1,005,495	1,005,495	86,920,000	100.00%	14,810,412	1,005,495	2,249,887	2,249,887	Subsidiary
109,442	109,442	3,896,305	100.00%	666,055	109,442	16,980	16,980	Subsidiary
38,376	38,376	1,161,004	19.48%	141,941	38,376	24,112	4,697	Subsidiary (note 2)

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Name of investor	Name of investee	Address	Scope of business
TSRC	TSRC (Vietnam) Co., Ltd.	8 VSIP II A Street 31, Vietnam Singapore Industrial Park II A, Tan Uyen Town, Binh Duong Province, Vietnam	Production and processing of rubber color masterbatch, thermoplastic elastomer and plastic compound products
Trimurti Holding Corporation	Polybus Corporation Pte Ltd	100 Peck Seah Street #09 16 Singapore 079333	International commerce and investment corporation
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	15/F BOC Group Life Assurance Tower 136 Des Voeux Road Central	Investment corporation
Trimurti Holding Corporation	Indian Synthetic Rubber Private Limited	Room No.702, Indian Oil Bhawan, 1 Sri Aurobindo Marg, Yusuf Sarai, New Delhi 110016, India	Production and sale of synthetic rubber products
TSRC (Hong Kong) Limited	TSRC (Lux.) Corporation S.A R.L.	39-43 avenue de la Liberte L 1931 Luxembourg	International commerce and investment corporation
TSRC (Lux.) Corporation S.A R.L.	TSRC (USA) Investment Corporation	2711 Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware, .19808.	Investment corporation
TSRC (USA) Investment Corporation	TSRC Specialty Materials LLC	12012 Wickchester Lane, Suite 280, Houston, TX77079	Production and sale of TPE
Hardison International Corporation	Triton International Holdings Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
Dymas Corporation	Asia Pacific Energy Development Co., Ltd.	Cayman Islands	Consulting for electric power facilities management and electrical system design

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD27.690; EUR1 to NTD31.3035).

Note 2: TSRC directly owns 19.48% of Dymas's equity and indirectly owns 80.52% via Hardison International Corporation, total directly and indirectly owns of equity are 100%.

Note 3: Transactions within the Group were eliminated in the consolidated financial statements.

(c) Information on investment in Mainland China:

(i) The names, main businesses and products, and other information of investees in Mainland China:

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2021
Shen Hua Chemical Industries Co., Ltd.	Production and sale of synthetic rubber products	1,141,832 (USD41,220)	(2)a.	-
Changzhou Asia Pacific Co-generation Co., Ltd.	Power generation and sale of electricity and steam	639,639 (USD23,100)	(2)c.	106,108 (USD3,832)
TSRC (Shanghai) Industries Ltd.	Production and sale of compounding materials	152,295 (USD5,500)	(2)b.	108,545 (USD3,920)
Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	83,070 (USD3,000)	(2)d.	41,535 (USD1,500)
TSRC-UBE (Nantong) Chemical Industrial Co., Ltd.	Production and sale of synthetic rubber products	1,107,600 (USD40,000)	(2)a.	27,690 (USD1,000)
TSRC (Nantong) Industries Ltd.	Production and sale of TPE	2,910,911 (USD105,125)	(2)a.	184,083 (USD6,648)
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	Production and sale of NBR	1,240,512 (USD44,800)	(2)a.	-

Note 1: The method of investment is divided into the following four categories:

- (1) Remittance from third-region companies to invest in Mainland China.
- (2) Through the establishment of third-region companies then investing in Mainland China.
 - a. Through the establishment of Polybus Corporation Pte Ltd then investing in Mainland China.
 - b. Through the establishment of TSRC (Hong Kong) Limited then investing in Mainland China.
 - c. Through the establishment of Asia Pacific Energy Development Co., Ltd. then investing in Mainland China.
 - d. Through the establishment of Triton International Holdings Corporation then investing in Mainland China.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Original cost		Ending balance			Maximum investment amount in 2021	Net income (loss) of investee	Investment income (loss)	Remarks
December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Book value				
342,742	278,280	-	100.00%	215,455	342,742	(40,674)	(40,674)	Subsidiary
1,802,647 (USD65,101)	1,802,647 (USD65,101)	105,830,000	100.00%	9,141,721	1,802,647	1,297,441	1,297,441	Indirectly owned subsidiary
2,875,607 (USD103,850)	2,875,607 (USD103,850)	103,850,000	100.00%	3,672,336	2,875,607	364,704	364,704	Indirectly owned subsidiary
816,107 (USD29,473)	816,107 (USD29,473)	222,861,375	50.00%	1,130,197	816,107	1,207,138	603,569	-
2,343,681 (EUR74,870)	2,343,681 (EUR74,870)	74,869,617	100.00%	2,911,736	2,343,681	285,684	285,684	Indirectly owned subsidiary
2,659,625 (USD96,050)	2,659,625 (USD96,050)	130	100.00%	2,762,795	2,659,625	163,233	163,233	Indirectly owned subsidiary
6,053,505 (USD218,617)	6,053,505 (USD218,617)	-	100.00%	2,363,035	6,053,505	321,142	321,142	Indirectly owned subsidiary
1,385 (USD50)	1,385 (USD50)	50,000	100.00%	56,136	1,385	(2,368)	(2,368)	Indirectly owned subsidiary
132,884 (USD4,799)	132,884 (USD4,799)	4,798,566	80.52%	608,022	132,884	24,112	19,415	Indirectly owned subsidiary
312,482 (USD11,285)	312,482 (USD11,285)	7,522,337	37.78%	339,063	312,482	44,847	16,943	-

Unit: thousand NTD/thousand USD

Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2021	Net income (loss) of investee	Direct / indirect investment holding percentage	Maximum investment in 2021	Investment income (loss)	Book value	Accumulated remittance of earnings in current period
Remittance amount	Repatriation amount							
-	-	-	1,002,175	65.44%	747,215	655,824 (Note2)	2,371,007	4,786,340
-	-	106,108 (USD3,832)	135,274	28.34%	181,274	38,337 (Note3)	338,468	358,308
-	-	108,545 (USD3,920)	89,300	100.00%	152,295	89,300 (Note2)	352,298	-
-	-	41,535 (USD1,500)	(4,642)	50.00%	41,535	(2,321) (Note2)	55,819	74,060
-	-	27,690 (USD1,000)	415,589	55.00%	609,180	228,574 (Note2)	1,043,614	-
-	-	184,083 (USD6,648)	276,512	100.00%	2,910,911	276,512 (Note2)	4,302,489	440,864
-	-	-	367,700	50.00%	620,256	183,850 (Note3)	505,494	-

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(4) Other methods: EX: delegated investments.

Note 2: The investment income (losses) were recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: The investment income (losses) were recognized under the equity method and based on the financial statements audited by international accounting firms.

Note 4: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD27.690).

Note 5: The transactions within the Group were eliminated in the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Unit: thousand NTD/thousand USD

Company name	Accumulated investment amount in Mainland China as of December 31, 2021	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
TSRC	467,961 (USD16,900)	5,187,306 (USD187,335) (Note2)	- (Note1)

Note1 : In accordance with the "Regulations on Permission for Investment or Technical Cooperation in Mainland China" and the "Principles for Examination of Applications for Investment or Technical Cooperation in Mainland China" amended and ratified by the Executive Yuan on August 22, 2008, the Company met the criteria for operational headquarters under the Statute for Industrial Innovation and obtained approval from the Industrial Development Bureau, Ministry of Economic Affairs, on August 18, 2021. As it has an operational headquarters status, the Company is not subject to the limitation as to the amount of investment in Mainland China during the period from August 12, 2021 to August 11, 2024.

Note2 : This amount includes capital increase out of earnings, approved by the Investment Commission, MOEA.

Note3 : Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD27.690).

(iii) Significant transactions:

Related information is provided in note 13(a)x.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Panama Banco industrial company		69,524,417	8.41%
Han-De Construction Co.,Ltd.		63,093,108	7.64%
Wei Dah Development Co., Ltd.		53,708,923	6.50%

<14> Segment information

(a) General information

There are two segments which should be reported: synthetic rubber and non-synthetic rubber others. The synthetic rubber segment produces and sells synthetic rubber and TPE products. The non-synthetic rubber segment produces and sells applied materials. The others segment provides storage service.

A reportable department is a strategic business unit providing different products and services. Because each strategic business unit requires different kinds of techniques and marketing tactics, it should be separately managed. Most of the strategic divisions were acquired separately. The management of the acquired divisions remains employed by the Group.

(b) Information on income and loss, assets, liabilities, basis of measurement, and the reconciliation for reportable segments

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation. Because taxation and extraordinary activity are managed on a group basis, they are not able to be allocated to each reportable segment. In addition, not all profit or loss from reportable segments includes significant non-cash items such as depreciation and amortization. The reportable amount is consistent with that in the report used by the chief operating decision maker.

The operating segment accounting policies are consistent with those described in note 4 "Significant Accounting Policies".

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price. Information on reportable segments and reconciliation for the Group is as follows:

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	2021			
	Synthetic rubber	Non-synthetic rubber	Others	Total
Revenue:				
Revenue from external customers	\$ 31,440,852	1,092,386	-	32,533,238
Interest revenue	24,125	5,546	405	30,076
Total revenue	<u>\$ 31,464,977</u>	<u>1,097,932</u>	<u>405</u>	<u>32,563,314</u>
Interest expenses	<u>\$ 101,319</u>	<u>9,422</u>	<u>-</u>	<u>110,741</u>
Depreciation and amortization	<u>\$ 1,083,837</u>	<u>111,778</u>	<u>14,725</u>	<u>1,210,340</u>
Share of profit of equity-accounted investees (as-associates and jointly controlled entities)	<u>\$ 787,419</u>	<u>-</u>	<u>14,622</u>	<u>802,041</u>
Reportable segment profit or loss	<u>\$ 4,638,104</u>	<u>7,821</u>	<u>987,063</u>	<u>5,632,988</u>
Reportable segment assets and liabilities (note)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2020			
	Synthetic rubber	Non-synthetic rubber	Others	Total
Revenue:				
Revenue from external customers	\$ 23,173,891	850,552	-	24,024,443
Interest revenue	40,734	2,273	3,916	46,923
Total revenue	<u>\$ 23,214,625</u>	<u>852,825</u>	<u>3,916</u>	<u>24,071,366</u>
Interest expenses	<u>\$ 117,527</u>	<u>12,522</u>	<u>(6,480)</u>	<u>123,569</u>
Depreciation and amortization	<u>\$ 1,074,551</u>	<u>67,137</u>	<u>14,726</u>	<u>1,156,414</u>
Share of profit of equity-accounted investees (as-associates and jointly controlled entities)	<u>\$ 230,745</u>	<u>-</u>	<u>70,763</u>	<u>301,508</u>
Reportable segment profit or loss	<u>\$ 354,059</u>	<u>31,928</u>	<u>134,684</u>	<u>520,671</u>
Reportable segment assets and liabilities (note)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note: As the information on segment assets and liabilities was not provided to the chief operating decision maker, the information on segment assets and liabilities is not disclosed.

(c) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Geographical information	2021	2020
Revenue from external customers:		
China	\$ 13,941,357	10,641,719
United States	3,924,935	3,077,921
Taiwan	2,785,420	3,027,958
Vietnam	1,978,784	892,179
Thailand	1,686,829	1,040,894
Germany	1,403,295	1,138,521
Japan	684,196	454,114
Other countries	6,128,422	3,751,137
Total	<u>\$ 32,533,238</u>	<u>24,024,443</u>

Geographical information	December 31, 2021	December 31, 2020
Non-current assets:		
China	\$ 6,836,200	6,973,873
Taiwan	4,576,866	4,734,394
United States	1,605,206	1,881,946
Other countries	603,801	695,672
Total	<u>\$ 13,622,073</u>	<u>14,285,885</u>

Non-current assets include property, plant and equipment, right-of-use assets, investment property, intangible assets, and other assets, not including financial instruments, deferred tax assets.

(d) Information about major customers

For the years 2021 and 2020, the Group had no major customer who constituted 10% or more of net sales.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Independent Auditors' Report To the Board of Directors of TSRC Corporation:

Opinion

We have audited the parent company only financial statements of TSRC 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 notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the TSRC 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 Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the TSRC Corporation in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 parent company only financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to note 4(q) and 6(t) for disclosures related to revenue recognition.

Description of key audit matter:

Revenue is the key indicator used by investors and management while evaluating the TSRC Corporation's finance or operating performance. The accuracy of the timing and amount of revenue recognized have significant impact on the financial statements, for which the assumptions and judgments of revenue measurement and recognition rely on subjective judgments of the management. Therefore, we consider it as the key audit matter.

How the matter was addressed in our audit:

Testing the effectiveness of design and implementing the internal control (both manual and system control) of sales and collecting cycle; reviewing the revenue recognition of significant sales contracts to determine whether the accounting treatment key judgment, estimation, and appropriate; analyzing the changes in top 10 customers from the most recent period and last year, and the changes in the price and quantity of each category of product line to determine whether if there are any significant misstatements; selecting sales transactions from a period of time before and after the balance sheet date, and verifying with the vouchers to determine the accuracy of the timing and amounts of revenue recognized; understanding whether if there is a significant subsequent sales return or discount; and reviewing whether the disclosure of revenue made by the management is appropriate.

2. Inventory measurement

Please refer to note 4(g), note 5(a), and note 6(f) for disclosures related to inventory measurement.

Description of key audit matter:

The inventory of TSRC Corporation includes various types of synthetic rubber and its raw material. Since there is an oversupply and a low market demand in the rubber manufacturing industry, which may result in a decline on the price of raw material, the carrying value of inventories may exceed its net realizable value. The measurement of inventory depends on the evaluation of the management based on evidence from internal and external, both subjective and objective. Therefore, we consider it as the key audit matter.

How the matter was addressed in our audit:

The key audit procedures performed is to understand management's accounting policy of inventory measurement and determine whether it is reasonable and is being implemented. The procedures include reviewing the inventory aging documents

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

and analyzing its changes; obtaining the documents of inventory measurement and evaluating whether if the bases used for net realizable value is reasonable; selecting samples and verifying them with the vouchers to test the accuracy of the amount; and reviewing whether the disclosure of inventory measurement made by the management is appropriate.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the TSRC 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 TSRC 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 TSRC Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only 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 TSRC 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 TSRC 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 auditor's report to the related disclosures in the parent company only 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 auditor's report. However, future events or conditions may cause the TSRC Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

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 parent company only financial statements of the current period 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 Ming-Hung Huang and Lin Wu.

KPMG
Taipei, Taiwan (Republic of China)
March 10, 2022

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

TSRC CORPORATION

Balance Sheets

December 31, 2021 and 2020 December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Current assets:				
Cash and cash equivalents (note 6(a))	\$ 140,115	1	134,602	1
Financial assets at fair value through profit or loss - current (note 6(b))	713	-	3,460	-
Notes receivable, net (note 6(d))	1,857	-	2,342	-
Accounts receivable, net (note 6(d))	1,398,583	5	945,414	4
Account receivable - related parties (notes 6(d) and 7)	203,040	1	87,273	-
Other receivables (notes 6(e) and 7)	202,063	1	117,821	1
Current income tax assets	-	-	12,151	-
Inventories (note 6(f))	1,670,515	7	1,483,926	7
Other current assets	193,123	1	342,902	2
Total current assets	3,810,009	16	3,129,891	15
Non-current assets:				
Non-current financial assets at fair value through other comprehensive income (note 6(c))	1,220,669	5	838,235	4
Investments accounted for under equity method (notes 6(g) and 7)	15,833,863	62	13,644,962	61
Property, plant and equipment (notes 6(h) and 9)	2,866,238	11	2,978,757	13
Right-of-use assets (note 6(i))	43,833	-	43,131	-
Investment property (notes 6(j) and 6(n))	1,552,148	6	1,566,873	7
Intangible assets (note 6(k))	69,112	-	65,098	-
Deferred income tax assets (note 6(p))	28,187	-	67,126	-
Other non-current assets	21,521	-	41,250	-
Total non-current assets	21,635,571	84	19,245,432	85
Total assets	\$ 25,445,580	100	22,375,323	100

See accompanying notes to parent company only financial statements.

Chairman: Nita Ing

Manager: Joseph Chai

Chief Accountant: Hsing-Jung Lin

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Liabilities and Equity	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Current liabilities:				
Short-term borrowings (note 6(l))	\$ 2,205,053	9	2,697,482	12
Current portion of long-term borrowings (note 6(l))	400,000	2	2,100,000	9
Financial liabilities at fair value through profit or loss – current (note 6(b))	93	-	81	-
Accounts payables (note 7)	789,029	3	674,118	4
Current income tax liabilities	33,039	-	12,201	-
Other payable (notes 6(o), 6(s) and 7)	726,615	3	509,913	3
Current lease liabilities (note 6(m))	38,323	-	29,417	-
Other current liabilities	33,550	-	14,639	-
Total current liabilities	4,225,702	17	6,037,851	28
Non-Current liabilities:				
Long-term bank borrowings (note 6(l))	1,745,756	7	973,718	4
Other long-term borrowings (note 6(l))	349,922	1	349,341	2
Provision liabilities - non-current (note 7)	27,757	-	31,819	-
Deferred income tax liabilities (note 6(p))	959,693	4	739,404	3
Non-current lease liabilities (note 6(m))	6,124	-	15,034	-
Other non-current liabilities (notes 6(l) and 6(o))	104,676	-	89,036	-
Total non-current liabilities	3,193,928	12	2,198,352	9
Total liabilities	7,419,630	29	8,236,203	37
Equity attributable to shareholders of the company (notes 6(c), 6(o), 6(p), 6(q) and 6(w)):				
Common stock	8,257,099	32	8,257,099	37
Capital surplus	50,725	-	49,531	-
Retained earnings:				
Legal reserve	4,073,680	16	4,068,862	18
Unappropriated earnings	5,080,942	20	1,483,970	7
	9,154,622	36	5,552,832	25
Other equity:				
Financial statement translation differences for foreign operations	(456,708)	(2)	(198,125)	(1)
Unrealized gain on financial assets measured at fair value through other comprehensive income	1,047,059	5	558,902	2
Gains (losses) on hedging instrument	(26,847)	-	(81,119)	-
	563,504	3	279,658	1
Total equity	18,025,950	71	14,139,120	63
Total liabilities and equity	\$ 25,445,580	100	22,375,323	100

See accompanying notes to parent company only financial statements.

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

TSRC CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Revenue (notes 6(t) and 7)	\$ 11,150,474	100	8,344,155	100
Operating costs (notes 6(f), 6(h), 6(i), 6(k), 6(m), 6(o), 6(s) and 7)	8,950,930	80	7,865,980	94
Gross profit from operations	2,199,544	20	478,175	6
Less: Unrealized gain (loss) on affiliated transactions	27,755	-	(11,712)	-
Gross profit	2,171,789	20	489,887	6
Operating expenses (notes 6(d), 6(h), 6(i), 6(k), 6(m), 6(o), 6(s) and 7):				
Selling expenses	609,388	5	342,250	4
General and administrative expenses	526,203	5	441,427	5
Research and development expenses	263,947	2	264,001	3
Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	(455)	-	(138)	-
Total operating expenses	1,399,083	12	1,047,540	12
Other income and expenses, net (notes 6(j), 6(n), 6(o), 6(u) and 7)	321,475	3	210,685	2
Operating profit (loss)	1,094,181	11	(346,968)	(4)
Non-operating income and expenses (notes 6(g), 6(h), 6(m) and 6(v) and 7):				
Interest income	5,107	-	6,503	-
Other income	59,252	1	56,878	1
Other gains and losses	1,011,054	9	5,956	-
Finance costs	(59,273)	(1)	(78,788)	(1)
Share of profit from the subsidiaries, the associates and joint ventures	2,230,890	20	438,275	5
Total non-operating income and expenses	3,247,030	29	428,824	5
Net income before tax	4,341,211	40	81,856	1
Less: Income tax expenses (note 6(p))	410,272	4	103,747	1
Net income (loss)	3,930,939	36	(21,891)	-
Other comprehensive income:				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gains (losses) on remeasurements of defined benefit plans	(31,893)	-	(14,247)	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	382,434	3	20,122	-
Share of other comprehensive income of subsidiaries accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	127,068	1	(87,991)	(1)
Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	21,345	-	-	-
Components of other comprehensive income that will not be reclassified to profit or loss	456,264	4	(82,116)	(1)
Items that may be reclassified subsequently to profit or loss				
Financial statements translation differences for foreign operations	(258,583)	(2)	(221,508)	(3)
Share of other comprehensive income of subsidiaries accounted for using equity method	54,272	-	(593)	-
Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	(204,311)	(2)	(222,101)	(3)
Other comprehensive income	251,953	2	(304,217)	(4)
Total comprehensive income	\$ 4,182,892	38	(326,108)	(4)
Basic earnings (losses) per share (in New Taiwan dollars) (note 6(r))	\$ 4.76		(0.03)	
Diluted earnings (losses) per share (in New Taiwan dollars) (note 6(r))	\$ 4.73		(0.03)	

See accompanying notes to parent company only financial statements.

Chairman: Nita Ing

Manager: Joseph Chai

Chief Accountant: Hsing-Jung Lin

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

TSRC CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

			<u>Retained earnings</u>		
	<u>Common stock</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Unappropriated retained earnings</u>	<u>Total</u>
Balance at January 1, 2020	\$ 8,257,099	47,140	3,977,141	1,940,361	5,917,502
Appropriation and distribution:					
Legal reserve	-	-	91,721	(91,721)	-
Cash dividends	-	-	-	(412,855)	(412,855)
Other changes in capital surplus	-	2,391	-	-	-
Net loss	-	-	-	(21,891)	(21,891)
Other comprehensive income (loss)	-	-	-	(14,247)	(14,247)
Total comprehensive income (loss)	-	-	-	(36,138)	(36,138)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	84,323	84,323
Balance at December 31, 2020	8,257,099	49,531	4,068,862	1,483,970	5,552,832
Appropriation and distribution:					
Legal reserve	-	-	4,818	(4,818)	-
Cash dividends	-	-	-	(297,256)	(297,256)
Other changes in capital surplus	-	1,194	-	-	-
Net income	-	-	-	3,930,939	3,930,939
Other comprehensive income (loss)	-	-	-	(31,893)	(31,893)
Total comprehensive income (loss)	-	-	-	3,899,046	3,899,046
Balance at December 31, 2021	<u>\$ 8,257,099</u>	<u>50,725</u>	<u>4,073,680</u>	<u>5,080,942</u>	<u>9,154,622</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(Expressed in Thousands of New Taiwan Dollars)

Total other equity interest				
Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on effective portion of cash flow hedges	Total	Total equity
23,383	711,094	(80,526)	653,951	14,875,692
-	-	-	-	-
-	-	-	-	(412,855)
-	-	-	-	2,391
-	-	-	-	(21,891)
<u>(221,508)</u>	<u>(67,869)</u>	<u>(593)</u>	<u>(289,970)</u>	<u>(304,217)</u>
<u>(221,508)</u>	<u>(67,869)</u>	<u>(593)</u>	<u>(289,970)</u>	<u>(326,108)</u>
-	<u>(84,323)</u>	-	<u>(84,323)</u>	-
(198,125)	558,902	(81,119)	279,658	14,139,120
-	-	-	-	-
-	-	-	-	(297,256)
-	-	-	-	1,194
-	-	-	-	3,930,939
<u>(258,583)</u>	<u>488,157</u>	<u>54,272</u>	<u>283,846</u>	<u>251,953</u>
<u>(258,583)</u>	<u>488,157</u>	<u>54,272</u>	<u>283,846</u>	<u>4,182,892</u>
<u>(456,708)</u>	<u>1,047,059</u>	<u>(26,847)</u>	<u>563,504</u>	<u>18,025,950</u>

See accompanying notes to parent company only financial statements.

Chairman:Nita Ing

Manager:Joseph Chai

Chief Accountant: Hsing-Jung Lin

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

TSRC CORPORATION

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
Net income before tax	\$ 4,341,211	81,856
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation	300,450	321,969
Amortization	20,108	20,418
Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	(455)	(138)
Interest expense	59,273	78,788
Interest income	(5,107)	(6,503)
Dividend income	(59,252)	(56,878)
Share of profit of subsidiaries accounted for under equity method	(2,230,890)	(438,275)
Gain on disposal of property, plant and equipment	(1,011,238)	-
Unrealized gain (loss) on affiliated transactions	27,755	(11,712)
Amortization to operating costs and inventories	31,639	34,096
Unearned revenue from technology provided to investee	(2,608)	(53,496)
Total adjustments to reconcile profit and loss	(2,870,325)	(111,731)
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	2,747	(3,446)
Notes receivable	485	320
Accounts receivable	(452,714)	4,192
Accounts receivable - related parties	(115,767)	27,198
Other receivables	(84,469)	50,868
Inventories	(186,589)	730,153
Other current assets	20,480	28,727
Total changes in operating assets, net	(815,827)	838,012
Net changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	12	(147)
Accounts payable	114,911	(192,245)
Other payables	219,729	(104,719)
Other current liabilities	18,911	(15,699)
Net defined benefit liability	(16,086)	(54,978)
Other non-current liabilities	(167)	5,135
Total changes in operating liabilities, net	337,310	(362,653)
Total changes in operating assets and liabilities, net	(478,517)	475,359

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	2021	2020
Total adjustments	(3,348,842)	363,628
Cash provided by operating activities	992,369	445,484
Interest income received	5,334	6,284
Interest paid	(59,246)	(78,642)
Income taxes paid	(139,401)	(57,446)
Net cash flows from operating activities	799,056	315,680
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	135,404
Acquisition of investments accounted for under equity method	(64,462)	-
Acquisition of property, plant and equipment	(385,596)	(529,145)
Proceeds from disposal of property, plant and equipment	1,213,830	-
Decrease (increase) in other non-current assets	19,729	(11,101)
Dividends received	59,252	1,337,061
Decrease (increase) in restricted assets	129,299	(254,987)
Net cash flows from investing activities	972,052	677,232
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	18,098,954	28,610,459
Decrease in short-term borrowings	(18,591,383)	(29,048,540)
Proceeds from long-term borrowings	1,673,109	73,718
Repayments of long-term borrowings	(2,601,071)	(450,000)
Payment of lease liabilities	(49,157)	(51,357)
Cash dividends paid	(297,241)	(412,421)
Over-aging unclaimed dividends	1,194	2,391
Net cash used in financing activities	(1,765,595)	(1,275,750)
Net increase (decrease) in cash and cash equivalents	5,513	(282,838)
Cash and cash equivalents at beginning of period	134,602	417,440
Cash and cash equivalents at end of period	\$ 140,115	134,602

See accompanying notes to parent company only financial statements.

Chairman: Nita Ing

Manager: Joseph Chai

Chief Accountant: Hsing-Jung Lin

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

TSRC CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2021 and 2020 (Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

<1> Company history

TSRC Corporation (the original name was Taiwan Synthetic Rubber Corporation, hereinafter referred to as "the Company") was incorporated in the Republic of China (ROC) on November 22, 1973, as a corporation limited by shares in accordance with the ROC Company Act. In May 1999, Taiwan Synthetic Rubber Corporation was renamed TSRC Corporation as approved by the stockholders' meeting. In June 2016, the Company changed its registered address to be No.2, Sing-gong Rd., Dashe Dist., Kaohsiung City. The Company is mainly engaged in the manufacture, import, and sale of various types of synthetic rubber, and the import, export, and sale of related raw materials.

<2> Approval date and procedures of the financial statements

The parent company only financial statements were approved by the Board of Directors and published on March 10, 2022.

<3> New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from April 1, 2021:

- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

(b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its financial statements:

- Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<4> Summary of significant accounting policies

The significant accounting policies presented in the parent company only financial statements are summarized as follows. Except for those described otherwise, the accounting policies have been applied consistently to all periods presented in these parent company only financial statements, and have been applied consistently to the balance sheet as of reporting date.

(a) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the Regulations).

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis except for those otherwise explained in the accounting policies in the notes.

(ii) Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment. The Company's financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are remeasured to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- (i) an investment in equity securities designated as at fair value through other comprehensive income;
- (ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (iii) qualifying cash flow hedges to the extent that the hedges are effective.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Classification of current and non-current assets and liabilities

(i) An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- 1) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- 2) It holds the asset primarily for the purpose of trading;
- 3) It expects to realize the asset within twelve months after the reporting period; or
- 4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(ii) A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- 1) It expects to settle the liability in its normal operating cycle;
- 2) It holds the liability primarily for the purpose of trading;
- 3) The liability is due to be settled within twelve months after the reporting period even if refinancing or a revised repayment plan is arranged between the reporting date and the issuance date of the financial statements; or
- 4) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, time deposits, and short-term investments with high liquidity that are subject to an insignificant risk of changes in their fair value.

The time deposits with maturity of one year or less from the acquisition date are listed in cash and cash equivalents because they are held for the purpose of meeting short-term cash commitments instead of investment or other purposes, are readily convertible to a fixed amount of cash, and are subject to an insignificant risk of changes in value.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model in managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes its loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable and guarantee deposit paid).

The Company measures its loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

2) Equity instrument

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

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

5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

6) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract not designated as at fair value through profit or loss issued by the Company is recognized initially at fair value plus any directly attributable transaction cost. After initial recognition, it is measured at the higher of: (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the IFRS 15.

(iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognized initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

(g) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted-average method.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

The equity of associates is incorporated in the financial statements using the equity method. Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the changes in ownership interests of the associate in capital surplus in proportion to its ownership interests.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(i) Investment in subsidiaries

When preparing the Company's financial statements, investments in subsidiaries which are controlled by the Company using the equity method. Under the equity method, the net income, other comprehensive income, and equity in the financial statements are equivalent to those attributable to the shareholders of the parent company in the parent company only financial statements.

Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions.

If the investment in shares is not made by cash but in exchange with providing service or other assets, the cost of the investment is determined by either the fair value of shares purchased, the fair value of the service provided, or the fair value of the assets exchanged, whichever can be determined more objectively. If the investment in subsidiary is in exchange with service to be provided in the future, the account "investment in equity method" should be credited and reversed to recognized investment income based on the timing of the service provided under a reasonable accounting system.

(j) Joint arrangement

A joint venture is a joint arrangement whereby the Company has joint control of the arrangement (i.e. joint venturers) in which the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Company recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless the Company qualifies for exemption from that Standard. Please refer to note 4(i) for the application of the equity method.

The Company determines the type of joint arrangement in which it is involved by considering the structure and form of the arrangement, the separate legal vehicle, the terms agreed by the parties in the contractual arrangement and other facts and circumstances. When the facts and circumstances change, the Company reevaluates whether the classification of the joint arrangement has changed

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Reclassification to investment properties

Property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

Land improvements	8~30 years
Buildings	3~60 years
Machinery	3~50 years
Furniture and fixtures equipment	3~8 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(l) Investment property

Investment property is property held either to earn rental income or for capital appreciation, or for both, but not for sale in the ordinary course of business used in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight line basis over the lease term. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(m) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment of the underlying asset purchase option; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents its right-of-use assets that do not meet the definition of investment and its lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize the right-of-use assets and lease liabilities for its short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Company acts as a lessor, it determines, at lease commencement, whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

(n) Intangible assets

Intangible assets comprise computer software and industrial technology and are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- | | |
|----------------------------|---------|
| (i) Computer software | 3years |
| (ii) Industrial technology | 10years |

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Impairment - non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(p) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(q) Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(i) Sale of goods

The Company is mainly engaged in the manufacture and sale of various types of synthetic rubber. The Company recognizes revenue when control of the products has been transferred. When the products are delivered to the customer, the ownership of the significant risks and rewards of the products have been transferred to the customer, and the Company is no longer engaged with the management of the products. Delivery occurs being when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract and the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(ii) Management services

The Company is engaged in providing management services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided at the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on surveys of work performed.

(iii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Government grants

The Company recognizes an other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(t) Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the exceptions below:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - i. the same taxable entity; or
 - ii. different taxable entities which intend annually either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities, simultaneously.

A deferred tax asset should be recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(u) Earnings per share

Earnings per share (EPS) of common stock are calculated by dividing net income (or loss) for the reporting period attributable to common stockholders by the weighted-average number of common shares outstanding during that period. The weighted-average number of common shares outstanding is adjusted retroactively for the increase in common shares outstanding from stock issuance arising from the capitalization of retained earnings, or additional paid-in capital.

If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of profit sharing to employees in stock by the closing price (after considering the dilutive effect of dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of profit sharing to employees are resolved in the board of directors meeting in the following year. If profit sharing is resolved to be distributed to employees in stock, the number of shares is determined by dividing the amount of profit sharing by fair value, which is the closing price (after considering the effect of dividends) of the shares on the day preceding the board meeting.

(v) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statements. Hence no further information is disclosed in the financial statements.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<5> Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the parent company only financial statements in conformity with the Regulations by Securities Issuers requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The Management will continually review the estimates and basic assumptions. Changes in accounting estimates will be recognized in the period of change and the future period of their impact.

There are no critical judgments in applying the accounting policies that have a significant effect on the amounts recognized in the parent company only financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Inventory measurement

Since inventory is measured by the lower of cost and net realizable value, the Company evaluated the inventory based on the selling price of the product line and price fluctuation of raw material, and written down the book value to net realizable value. Please refer to note 6(f) for inventory measurement.

(b) Impairment of investments accounted for using equity method

The assessment of impairment of intangible assets requires the company to make subjective judgments to identify cash-generating units and estimate the recoverable amount of relevant cash-generating units. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years. Refer to note 6(k) for further description of the Impairment of intangible assets.

<6> Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Checking and savings deposits	\$ 110,115	134,602
Commercial paper with reverse sell agreements	30,000	-
Cash and cash equivalents per statements of cash flow	<u>\$ 140,115</u>	<u>134,602</u>

The disclosure of interest rate risk and sensitivity analysis for the Company's financial assets and liabilities is referred to note 6(x).

(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Forward contracts / Swap contracts	<u>\$ 713</u>	<u>3,460</u>
	December 31, 2021	December 31, 2020
Financial liabilities held for trading:		
Derivative instruments not used for hedging		
Forward contracts / Swap contracts	<u>\$ 93</u>	<u>81</u>

The Company uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. The Company reported the following derivatives financial instruments as financial assets and liabilities at fair value through profit or loss without the application of hedge accounting.

	December 31, 2021			
	Contract amount (thousand dollars)	Currency	Maturity dates	
Forward contracts	EUR 1,830/ USD 2,081	EUR/USD	2022.01.12~2022.03.11	
Swap contracts	EUR 1,100/ USD 1,255	EUR/USD	2022.01.12~2022.03.11	
Swap contracts	JPY 16,411/ USD 144	JPY/USD	2022.01.12	

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	December 31, 2020		
	Contract amount (thousand dollars)	Currency	Maturity dates
Forward contracts	EUR 450/ USD 551	EUR/USD	2021.02.19~2021.02.26
Swap contracts	NTD 238,846/ USD 8,500	NTD/USD	2021.01.15~2021.01.22

(c) Financial assets at fair value through other comprehensive income - non-current

	December 31, 2021	December 31, 2020
Equity investments at fair value through other comprehensive income:		
Listed stocks (domestic)	\$ 668,140	-
Unlisted stocks (domestic and overseas)	552,529	838,235
Total	<u>\$ 1,220,669</u>	<u>838,235</u>

(i) Equity investments at fair value through other comprehensive income

The Company held equity instrument investment for long-term strategic purposes, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income.

Due to the financial asset activation, the Company sold the share of Taiwan High-speed Railway Co., Ltd. at the fair value in the 2020, the fair value at that time of disposition was \$114,323 thousand and accumulated disposition benefit was \$84,323 thousand, the cumulative disposition benefits have been transferred from other equity to retained earnings.

(ii) For dividend income, please refer to note 6(v).

(iii) For market risk, please refer to note 6(x).

(iv) The Company did not hold any collateral for the collectible amounts.

(v) The significant financial assets at fair value through other comprehensive income denominated in foreign currency were as follows:

	Foreign currency amount (thousand dollars)	Exchange rate	NTD
December 31, 2021			
THB	\$ 205,905	0.8347	171,869
December 31, 2020			
THB	85,768	0.9556	81,960

(d) Notes and accounts receivable (including related parties)

	December 31, 2021	December 31, 2020
Notes receivable	\$ 1,857	2,342
Accounts receivable	1,399,816	947,102
Accounts receivable - related parties	203,040	87,273
Less: allowance for impairment	1,233	1,688
	<u>\$ 1,603,480</u>	<u>1,035,029</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The loss allowance provision were determined as follows:

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	December 31, 2021		
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	\$ 1,591,657	0.05%~0.14%	914
1 to 30 days past due	13,056	2.44%	319
	<u>\$ 1,604,713</u>		<u>1,233</u>

	December 31, 2020		
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	<u>\$ 1,036,717</u>	0.09%~0.17%	<u>1,688</u>

The movement in the allowance for notes and accounts receivable were as follows:

	2021	2020
Balance at beginning of period	\$ 1,688	1,826
Impairment losses recognized (reversed)	(455)	(138)
Balance at end of period	<u>\$ 1,233</u>	<u>1,688</u>

The Company did not hold any collateral for the collectible amounts. For other credit risk please refers to note 6(x). The carrying amounts of notes and accounts receivable with short maturity are not discounted under the assumption that the carrying amount approximates the fair value.

(e) Other receivables (including related parties)

	December 31, 2021	December 31, 2020
Other receivables - related parties	\$ 194,635	104,489
Other	7,428	13,332
	<u>\$ 202,063</u>	<u>117,821</u>

As of December 31, 2021 and 2020, the Company had no other receivables that were past due. For other credit risk information, please refers to note 6(x).

(f) Inventories

The components of the Company's inventories were as follows:

	December 31, 2021	December 31, 2020
Raw materials	\$ 388,812	542,024
Supplies	4,738	2,768
Work in progress	108,696	110,485
Finished goods	1,155,198	823,715
Merchandise	13,071	4,934
Total	<u>\$ 1,670,515</u>	<u>1,483,926</u>

As of December 31, 2021 and 2020, the Company did not pledge any collateral on inventories.

Except for operating costs arising from the ordinary sale of inventories, other gains and losses directly recorded under operating costs were as follows:

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	<u>2021</u>	<u>2020</u>
Loss on (reversal of) decline in market value of inventory	\$ (69,924)	1,111
Income from sale of scrap	(21,880)	(12,063)
Unallocated production overhead	<u>87,509</u>	<u>166,390</u>
Total	<u>\$ (4,295)</u>	<u>155,438</u>

(g) Investments accounted for under the equity method

The details of the investments accounted for under the equity method were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	<u>\$ 15,833,863</u>	<u>13,644,962</u>

As of December 31, 2021 and 2020, the Company did not pledge any collateral on investments accounted for under the equity method.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company were as follows:

	<u>Land</u>	<u>Land improvements</u>	<u>Buildings</u>
Cost or deemed cost:			
Balance at January 1, 2021	\$ 821,469	85,030	1,215,684
Additions	-	-	-
Disposals	(201,665)	-	-
Reclassification	-	-	14,093
Balance at December 31, 2021	<u>\$ 619,804</u>	<u>85,030</u>	<u>1,229,777</u>
Balance at January 1, 2020	\$ 614,101	85,030	1,207,726
Additions	140,061	-	-
Disposals	-	-	-
Reclassification	67,307	-	7,958
Balance at December 31, 2020	<u>\$ 821,469</u>	<u>85,030</u>	<u>1,215,684</u>
Depreciation and impairment loss:			
Balance at January 1, 2021	\$ -	70,264	928,910
Depreciation	-	2,485	29,276
Disposal	-	-	-
Balance at December 31, 2021	<u>\$ -</u>	<u>72,749</u>	<u>958,186</u>
Balance at January 1, 2020	\$ -	67,778	898,493
Depreciation	-	2,486	30,417
Disposal	-	-	-
Balance at December 31, 2020	<u>\$ -</u>	<u>70,264</u>	<u>928,910</u>
Carrying value:			
December 31, 2021	<u>\$ 619,804</u>	<u>12,281</u>	<u>271,591</u>
December 31, 2020	<u>\$ 821,469</u>	<u>14,766</u>	<u>286,774</u>
January 1, 2020	<u>\$ 614,101</u>	<u>17,252</u>	<u>309,233</u>

To optimize the Company's asset, the Company disposed its real estate located in Kaohsiung City, Renwu Dist. to a non-related party for \$1,220,000 thousands, with a book value of \$201,665 thousand based on the resolution approved during the board meeting held on March 11, 2021. All relevant transactions amounting to \$909,118 thousands, recognized as gain, had been completed in July 2021.

The Company did not pledge any collateral on property, plant and equipment.

(i) Right-of-use assets

The Company leases its assets including its land, buildings, machinery and transportation equipment. Information about leases, for which the Company is the lessee, is presented below:

	<u>Land</u>	<u>Building</u>	<u>Machinery</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2021	\$ 1,402	56,219	11,443	3,309	72,373
Additions	641	10,547	36,075	985	48,248
Write-off	-	-	-	(1,070)	(1,070)
Amortization to operating costs and inventories	-	(4,486)	(27,153)	-	(31,639)
Balance at December 31, 2021	<u>\$ 2,043</u>	<u>62,280</u>	<u>20,365</u>	<u>3,224</u>	<u>87,912</u>
Balance at January 1, 2020	\$ 95,998	56,506	38,689	3,309	194,502
Additions	-	10,258	-	-	10,258
Write-off	-	(3,695)	-	-	(3,695)
Reclassify to construction in progress	(94,596)	-	-	-	(94,596)
Amortization to operating costs and inventories	-	(6,850)	(27,246)	-	(34,096)
Balance at December 31, 2020	<u>\$ 1,402</u>	<u>56,219</u>	<u>11,443</u>	<u>3,309</u>	<u>72,373</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<u>Machinery</u>	<u>Furniture and fixtures</u>	<u>Leased assets</u>	<u>Prepayments for equipment and construction in progress</u>	<u>Total</u>
9,367,035	109,970	-	302,234	11,901,422
-	-	-	384,013	384,013
(64,349)	(336)	-	-	(266,350)
<u>183,741</u>	<u>140</u>	<u>-</u>	<u>(222,096)</u>	<u>(24,122)</u>
<u>9,486,427</u>	<u>109,774</u>	<u>-</u>	<u>464,151</u>	<u>11,994,963</u>
9,049,463	101,582	-	353,648	11,411,550
-	-	-	350,038	490,099
(52,138)	-	-	-	(52,138)
<u>369,710</u>	<u>8,388</u>	<u>-</u>	<u>(401,452)</u>	<u>51,911</u>
<u>9,367,035</u>	<u>109,970</u>	<u>-</u>	<u>302,234</u>	<u>11,901,422</u>
7,842,890	80,601	-	-	8,922,665
228,578	9,479	-	-	269,818
(63,422)	(336)	-	-	(63,758)
<u>8,008,046</u>	<u>89,744</u>	<u>-</u>	<u>-</u>	<u>9,128,725</u>
7,646,885	70,680	-	-	8,683,836
248,143	9,921	-	-	290,967
(52,138)	-	-	-	(52,138)
<u>7,842,890</u>	<u>80,601</u>	<u>-</u>	<u>-</u>	<u>8,922,665</u>
<u>1,478,381</u>	<u>20,030</u>	<u>-</u>	<u>464,151</u>	<u>2,866,238</u>
<u>1,524,145</u>	<u>29,369</u>	<u>-</u>	<u>302,234</u>	<u>2,978,757</u>
<u>1,402,578</u>	<u>30,902</u>	<u>-</u>	<u>353,648</u>	<u>2,727,714</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	Land	Building	Machinery	Transportation equipment	Total
Accumulated depreciation and impairment losses:					
Balance at January 1, 2021	\$ 561	26,443	-	2,238	29,242
Depreciation	203	14,636	-	1,068	15,907
Write-off	-	-	-	(1,070)	(1,070)
Balance at December 31, 2021	<u>\$ 764</u>	<u>41,079</u>	<u>-</u>	<u>2,236</u>	<u>44,079</u>
Balance at January 1, 2020	\$ 280	15,262	-	1,119	16,661
Depreciation	281	14,876	-	1,119	16,276
Write-off	-	(3,695)	-	-	(3,695)
Balance at December 31, 2020	<u>\$ 561</u>	<u>26,443</u>	<u>-</u>	<u>2,238</u>	<u>29,242</u>
Carrying value:					
December 31, 2021	<u>\$ 1,279</u>	<u>21,201</u>	<u>20,365</u>	<u>988</u>	<u>43,833</u>
December 31, 2020	<u>\$ 841</u>	<u>29,776</u>	<u>11,443</u>	<u>1,071</u>	<u>43,131</u>
January 1, 2020	<u>\$ 95,718</u>	<u>41,244</u>	<u>38,689</u>	<u>2,190</u>	<u>177,841</u>
(j) Investment property					
	Land	Buildings		Total	
Cost:					
Balance as at January 1, 2021	\$ 1,073,579	741,889		1,815,468	
Additions	-	-		-	
Balance as at December 31, 2021	<u>\$ 1,073,579</u>	<u>741,889</u>		<u>1,815,468</u>	
Balance as at January 1, 2020	\$ 1,073,579	741,889		1,815,468	
Additions	-	-		-	
Balance as at December 31, 2020	<u>\$ 1,073,579</u>	<u>741,889</u>		<u>1,815,468</u>	
Depreciation:					
Balance as at January 1, 2021	\$ -	248,595		248,595	
Depreciation	-	14,725		14,725	
Balance as at December 31, 2021	<u>\$ -</u>	<u>263,320</u>		<u>263,320</u>	
Balance as at January 1, 2020	\$ -	233,869		233,869	
Depreciation	-	14,726		14,726	
Balance as at December 31, 2020	<u>\$ -</u>	<u>248,595</u>		<u>248,595</u>	
Carrying value:					
Balance as at December 31, 2021	<u>\$ 1,073,579</u>	<u>478,569</u>		<u>1,552,148</u>	
Balance as at December 31, 2020	<u>\$ 1,073,579</u>	<u>493,294</u>		<u>1,566,873</u>	
Balance as at January 1, 2020	<u>\$ 1,073,579</u>	<u>508,020</u>		<u>1,581,599</u>	
Fair value:					
Balance as at December 31, 2021				<u>\$ 3,336,956</u>	
Balance as at December 31, 2020				<u>\$ 3,336,956</u>	
Balance as at January 1, 2020				<u>\$ 3,334,675</u>	

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 1~5 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(u) for further information.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

The fair value of investment property is based on a valuation by an independent appraiser. The range of yields applied to the net annual rentals to determine fair value of property were as follows:

Region	2021	2020
Da'an Dist., Taipei City	2.10%	2.10%

As of December 31, 2021 and 2020, the Company did not pledge any collateral on investment properties.

(k) Intangible assets

The cost and amortization of the intangible assets of the Company were as follows:

	Industrial technology	Computer software	Total
Costs:			
Balance at January 1, 2021	\$ 99,213	188,103	287,316
Reclassification	8,000	16,122	24,122
Balance at December 31, 2021	<u>\$ 107,213</u>	<u>204,225</u>	<u>311,438</u>
Balance at January 1, 2020	\$ 73,913	172,706	246,619
Reclassification	25,300	15,397	40,697
Balance at December 31, 2020	<u>\$ 99,213</u>	<u>188,103</u>	<u>287,316</u>
Amortization:			
Balance at January 1, 2021	\$ 47,965	174,253	222,218
Amortization	10,388	9,720	20,108
Balance at December 31, 2021	<u>\$ 58,353</u>	<u>183,973</u>	<u>242,326</u>
Balance at January 1, 2020	\$ 38,044	163,756	201,800
Amortization	9,921	10,497	20,418
Balance at December 31, 2020	<u>\$ 47,965</u>	<u>174,253</u>	<u>222,218</u>
Carrying value:			
December 31, 2021	<u>\$ 48,860</u>	<u>20,252</u>	<u>69,112</u>
December 31, 2020	<u>\$ 51,248</u>	<u>13,850</u>	<u>65,098</u>
January 1, 2020	<u>\$ 35,869</u>	<u>8,950</u>	<u>44,819</u>

(i) In 2021 and 2020, the amortization of intangible assets were as follows:

	2021	2020
Operating costs	\$ 5,493	4,403
Operating expenses	14,615	16,015
	<u>\$ 20,108</u>	<u>20,418</u>

(ii) The Company did not pledge any collateral on intangible assets.

(l) Short-term and long-term borrowings

The details of the Company's short-term and long-term borrowings were as follows:

(i) Short-term borrowings

	December 31, 2021			The unused credit facilities
	Range of interest rates (%)	Year of maturity	Amount	
Unsecured loans	0.73~0.88	2022	<u>\$ 2,205,053</u>	<u>6,924,557</u>

	December 31, 2020			The unused credit facilities
	Range of interest rates (%)	Year of maturity	Amount	
Unsecured loans	0.78~1.05	2021	<u>\$ 2,697,482</u>	<u>6,235,530</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(ii) Long-term borrowings

December 31, 2021				
Currency	Range of interest rates (%)	Year of maturity	Amount	
Unsecured loans	NTD	0.95~1.25	2022~2025	\$ 2,145,756
Current				\$ 400,000
Non-current				1,745,756
Total				\$ 2,145,756

December 31, 2020				
Currency	Range of interest rates (%)	Year of maturity	Amount	
Unsecured loans	NTD	1.09~1.25	2021~2025	\$ 3,073,718
Current				\$ 2,100,000
Non-current				973,718
Total				\$ 3,073,718

The Company applied the "Welcoming the Return of Taiwanese Investment Initiative Act" loan of \$478,000 thousand from the bank in 2020. As of December 31, 2021 and 2020, the Company has used the amounts of \$148,837 thousand and \$75,727 thousand, which were measured and recognized based on the market interest rate of 1.2%; and the difference between the actually interest rate of 0.45% and the market interest rate of 1.2% had been recorded as government subsidy under deferred income.

(iii) Long-term commercial paper payable (recorded as long-term borrowings)

The details of the Company's long-term commercial paper payable were as follows:

December 31, 2021			
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	CTBC Bank	1.164	\$ 350,000
Less: discount			78
Total			\$ 349,922
December 31, 2020			
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	CTBC Bank	1.206	\$ 350,000
Less: discount			659
Total			\$ 349,341

(iv) Collateral of loans

The Company did not provide assets as pledge assets for the loans and long-term commercial paper payable.

(m) Lease liabilities

The Company's lease liabilities were as follow:

	December 31, 2021	December 31, 2020
Current	\$ 38,323	29,417
Non-current	\$ 6,124	15,034

For the maturity analysis, please refer to note 6(x).

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	\$ 905	1,166
Expenses relating to short-term leases	\$ 686	748
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 638	834

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

The amounts recognized in the statement of cash flows for the Company were as follows:

	2021	2020
Total cash outflow for leases	\$ 51,386	54,105

(n) Operating leases

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets; please refer to note 6(j).

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date is as follows:

	December 31, 2021	December 31, 2020
Less than one year	\$ 66,190	66,587
One to two years	58,553	66,167
Two to three years	46,791	59,333
Three to four years	12,138	46,791
Four to five years	13,241	12,138
More than five years	42,990	56,232
Total undiscounted lease payments	\$ 239,903	307,248

In 2021 and 2020, the rental income from investment property amounted to \$73,422 thousand and \$64,663 thousand, respectively.

(o) Employee benefits

(i) Defined benefit plans

The following table shows a reconciliation between the present value of the defined benefit obligation and the fair value of plan assets:

	December 31, 2021	December 31, 2020
The present value of the defined benefit obligations	\$ 605,909	606,090
Fair value of plan assets	(519,935)	(535,923)
The net defined benefit liability	\$ 85,974	70,167

The Company established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, ministry of Labors. Minimum annual distributions of the funds by the Bureau shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$519,935 thousand at the end of the current reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labors.

2) Movements in present value of defined benefit obligation

The movements in present value of the Company's defined benefit obligation for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Defined benefit obligation as of 1 January	\$ 606,090	615,154
Current service costs and interest	8,891	11,598
Remeasurements of net defined benefit liability (asset)		
- Return on plan assets (excluding current interest expense)	6,392	15,816
- Due to changes in financial assumption of actuarial gains (losses)	31,893	14,247
Benefits paid by the plan	(47,357)	(50,725)
Defined benefit obligation as of 31 December	\$ 605,909	606,090

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

3) Movements in fair value of plan assets

The movements in the fair value of the plan assets for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets as of January 1	\$ 535,923	504,256
Expected return	3,241	4,867
Remeasurements of net defined benefit liability (asset)		
- Return on plan assets (excluding current interest expense)	6,392	15,816
Contributions made	21,736	61,709
Benefits paid by the plan	<u>(47,357)</u>	<u>(50,725)</u>
Fair value of plan assets as of December 31	<u>\$ 519,935</u>	<u>535,923</u>

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current service cost	\$ 5,226	5,645
Net interest on the defined benefit liability (asset)	<u>424</u>	<u>1,086</u>
	<u>\$ 5,650</u>	<u>6,731</u>

	<u>2021</u>	<u>2020</u>
Operating costs	\$ 3,402	4,008
Operating expenses	1,972	2,328
Other income and expenses	276	290
Other receivables	<u>-</u>	<u>105</u>
	<u>\$ 5,650</u>	<u>6,731</u>

5) Actuarial assumptions

The following are the Company's principal actuarial assumptions at the reporting dates:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.500%	0.625%
Future salary increases rate	1.500%	1.500%

The Company expects to make contributions of \$18,773 thousand to the defined benefit plans in the next year starting from the reporting date of 2021.

The weighted average duration of the defined benefit plan is 9.69 years for the year ended December 31, 2021.

6) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Company uses judgments and estimations to determine the related actuarial assumptions, including discount rates, employee turnover rates and future salary changes, as of balance sheet date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

As of December 31, 2021 and 2020, the effects on the present value of the defined benefit obligation arising from changes in principle actuarial assumptions were as follows:

	Effects on defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2021		
Discount rate	\$ (11,357)	11,661
Future salary increase rate	11,132	(10,893)
December 31, 2020		
Discount rate	(11,785)	12,142
Future salary increase rate	11,608	(11,330)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

The method and assumptions used on current sensitivity analysis are the same as those of the prior year.

(ii) Defined contribution plans

The Company has made monthly contributions equal to 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Company's pension costs under the defined contribution plan were \$27,619 thousand and \$26,818 thousand for the years 2021 and 2020, respectively. Payments were made to the Bureau of Labor Insurance.

(iii) Short-term employee benefit liabilities

	December 31, 2021	December 31, 2020
Compensated absence liabilities	\$ 29,339	28,541

(p) Income tax

(i) Income tax expenses

The amounts of the Company's income tax expenses for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Current income tax expense		
Current period	\$ 256,034	50,470
Adjustment for prior periods	50	7,106
	<u>256,084</u>	<u>57,576</u>
Deferred tax expense		
Origination and reversal of temporary differences	237,883	31,752
Change in unrecognized temporary differences	(83,695)	14,419
	<u>154,188</u>	<u>46,171</u>
Income tax expenses of continued operations	\$ <u>410,272</u>	<u>103,747</u>

The amounts of the Company's income tax expenses recognized under other comprehensive income for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Items that will not be reclassified subsequently to profit or loss:		
Unrealized gains (losses) on equity instruments at fair value through other comprehensive income	<u>21,345</u>	<u>-</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Reconciliations of the Company's income tax expense (benefit) and the profit before tax for 2021 and 2020 were as follows:

	2021	2020
Income before tax	\$ <u>4,341,211</u>	<u>81,856</u>
Income tax using the Company's domestic tax rate	\$ 868,242	16,371
Tax exempt income	(213,172)	(10,516)
Adjustment for prior periods	50	7,106
Foreign investment income	(245,433)	-
R&D tax credits utilized	(21,529)	(17,824)
Change in unrecognized temporary differences	(83,695)	14,419
Regulations Governing the Utilization, and Taxation of Repatriated Offshore Funds	-	34,589
Land value increment tax	103,118	-
Others	<u>2,691</u>	<u>59,602</u>
Total	\$ <u>410,272</u>	<u>103,747</u>

(ii) Recognized deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2021. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>1,227,164</u>
Unrecognized deferred tax liabilities	\$ <u>245,433</u>

2) Unrecognized deferred tax assets

The Company's deferred tax assets have not been recognized in respect of the following items:

	December 31, 2021	December 31, 2020
The carryforward of unused tax losses	\$ -	<u>83,695</u>

Under the income tax rate, tax losses can be carried forward for ten years to offset taxable income. Deferred income tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available, against which, the Company can utilize the benefits therefrom.

As of December 31, 2021, the Company didn't have any unrecognized deferred tax assets for taxable losses.

3) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

Deferred tax assets:

	Defined benefit plans	Allowance for inventory valuation	Loss carry-forward	Others	Total
Balance at January 1, 2021	\$ 2,718	25,623	-	38,785	67,126
Recognized in profit or loss	(2,718)	(14,001)	-	(22,220)	(38,939)
Balance at December 31, 2021	\$ -	<u>11,622</u>	-	<u>16,565</u>	<u>28,187</u>
Balance at January 1, 2020	\$ 13,731	25,400	9,460	23,039	71,630
Recognized in profit or loss	(11,013)	223	(9,460)	15,746	(4,504)
Balance at December 31, 2020	\$ <u>2,718</u>	<u>25,623</u>	-	<u>38,785</u>	<u>67,126</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Deferred tax liabilities:

	Foreign investment income accounted for under equity method	Capitalization of interest expense	Land value increment tax	Others	Total
Balance at January 1, 2021	\$ 642,096	35,433	56,683	5,192	739,404
Recognized in profit or loss	201,284	(1,033)	-	(1,307)	198,944
Recognized in other comprehensive income	-	-	-	21,345	21,345
Balance at December 31, 2021	<u>\$ 843,380</u>	<u>34,400</u>	<u>56,683</u>	<u>25,230</u>	<u>959,693</u>
Balance at January 1, 2020	\$ 586,688	36,246	56,683	18,120	697,737
Recognized in profit or loss	55,408	(813)	-	(12,928)	41,667
Balance at December 31, 2020	<u>\$ 642,096</u>	<u>35,433</u>	<u>56,683</u>	<u>5,192</u>	<u>739,404</u>

(iii) Assessed of tax

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

(q) Capital and other equity

(i) Capital

In accordance with the Company's articles of incorporation, the capital share of the company amounted to \$12,000,000 thousand, divided into 1,200,000,000 shares, at NT\$10 per share.

As of December 31, 2021 and 2020, 825,709,978 shares of ordinary were issued.

(ii) Additional paid-in capital

The components of additional paid-in capital, were as follows:

	December 31, 2021	December 31, 2020
Share premium	\$ 849	849
Over-aging unclaimed dividends	49,876	48,682
	<u>\$ 50,725</u>	<u>49,531</u>

In accordance with the ROC Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

(iii) Retained earnings

1) Legal reserve

The ROC Company Act stipulates that companies must retain 10% of their annual net earnings, as defined in the Act, until such retention equals the amount of issued share capital. When a company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or cash. Only the portion of legal reserve which exceeds 25% of the issued share capital may be distributed. In accordance with Rule No. 10802432410 issued by Ministry of Economic Affairs, R.O.C on January 9, 2020, the Company has to apply the profit distribution based on its financial statement in 2020, wherein the Company shall use the amount of net profit after tax, plus, those net amounts other than the net profits, which are recognized as undistributed surplus earnings, as the basis for the legal reserve.

2) Special earnings reserve

By choosing to apply exemptions granted under IFRS 1 First-time Adoption of International Financial Reporting Standards during the Company's first-time adoption of the IFRSs endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments (gains) under shareholders' equity were reclassified to retained earnings at the adoption date. An increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special earnings reserve during earnings distribution. However, when adjusted retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC are insufficient for the appropriation of a special earnings reserve at the transition date, the Company may appropriate a special earnings reserve up to the amount of increase in retained earnings. Upon the use, disposal, or reclassification of related assets, the Company may reverse the special earnings reserve proportionately. As a result of elections made according to IFRS 1, the Company has reclassified \$(103,035) thousand to retained earnings and is not required to appropriate a special earnings reserve.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Distribution of retained earnings

In accordance with the Company's articles of incorporation amended on June 19, 2020, when allocating the earnings for each fiscal year, the Company may, after offsetting losses from previous years, and paying taxes, and setting aside any statutory and appropriated retained earnings of 10% by ordinary resolution, allocate the remaining balance dividends, retained earnings or otherwise. The allocation shall be proposed by the Board of Directors for a resolution at the shareholders' general meeting. However, dividends issued in cash may be approved by the Board of Directors with more than two thirds of the directors' attendance, and be resolved by more than half of the directors, thereafter, to be reported during the shareholders' general meeting.

In accordance with the original Company's articles of incorporation, if the Company incur profit for the year, the profit should first be used to pay taxes, then offset the previous year's deficit; thereafter, 10% of the remainder will be reserved as special surplus, which can be increased or reversed based on the Securities and Exchange Act. Any remaining balances, together with the previous year's undistributed retained earnings, will be deemed as distributable.

For the distribution based on the above of paragraph, the cash dividend shall not be less than 20% of the total distribution.

The above mentioned distribution of surplus shall be decided by the Board of Directors; thereafter, to be submitted to the shareholders' meeting for approval.

The distribution of 2020 and 2019 earnings as dividends to stockholders that were approved by the Company's shareholders' general meetings on August 4, 2021 and June 19, 2020, respectively, were as follows:

	2020		2019	
	Amount per share (NTD)	Total amount	Amount per share (NTD)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ 0.36	<u>297,256</u>	0.50	<u>412,855</u>

On March 10, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings as follows:

	2021	
	Amount per share (NTD)	Total amount
Dividends distributed to common shareholders:		
Cash	\$ 2.40	<u>1,981,704</u>

(iv) Other equities (net for tax)

	Foreign exchange differences arising from foreign	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total
Balance as of January 1, 2021	(198,125)	558,902	(81,119)	279,658
Foreign exchange differences arising from foreign operation	(258,583)	-	-	(258,583)

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	Foreign exchange differences arising from foreign	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total
Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	-	488,157	-	488,157
Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges	-	-	54,272	54,272
Balance as of December 31, 2021	<u>\$ (456,708)</u>	<u>1,047,059</u>	<u>(26,847)</u>	<u>563,504</u>
Balance as of January 1, 2020	\$ 23,383	711,094	(80,526)	653,951
Foreign exchange differences arising from foreign operation	(221,508)	-	-	(221,508)
Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	-	(67,869)	-	(67,869)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	(84,323)	-	(84,323)
Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges	-	-	(593)	(593)
Balance as of December 31, 2020	<u>\$ (198,125)</u>	<u>558,902</u>	<u>(81,119)</u>	<u>279,658</u>

(r) Earnings (losses) per share

The calculations of the Company's basic earnings (losses) per share and diluted earnings (losses) per share for the years ended December 31, 2021 and 2020 were as follows:

(i) Basic earnings (losses) per share

	2021	2020
Net income (loss) attributable to common shareholders of the Company	<u>\$ 3,930,939</u>	<u>(21,891)</u>
Weighted-average number of common shares (in thousands)	<u>825,710</u>	<u>825,710</u>
Basic earnings (losses) per share (in NTD)	<u>\$ 4.76</u>	<u>(0.03)</u>

(ii) Diluted earnings (losses) per share

	2021	2020
Net income (loss) attributable to common shareholders of the Company (diluted)	<u>\$ 3,930,939</u>	<u>(21,891)</u>
Weighted-average number of common shares (basic) (in thousands)	825,710	825,710
Impact on potential common shares		
Effect on employees' compensation (in thousands)	4,515	-
Weighted-average number of shares outstanding (diluted) (in thousands)	<u>830,225</u>	<u>825,710</u>
Diluted earnings (losses) per share (in NTD)	<u>\$ 4.73</u>	<u>(0.03)</u>

(s) Remuneration to employees and directors

In accordance with the Company's articles of incorporation, if there is profit for the year, the Company should contribute more than 1% of its profit as employees' remuneration, and less than 1% as directors' remuneration. The related regulations on the distribution of remunerations to employees and directors will have to be approved by the Board of Directors.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(ii) Other gains

	2021	2020
Dividend income	\$ 59,252	56,878

(iii) Other gains and losses

The components of the Company's other gains and losses for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Gain on disposal of property, plant and equipment, net	\$ 1,011,238	-
Foreign exchange gain (loss), net	(4,113)	7,986
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	2,629	(1,871)
Other gain (loss)	1,300	(159)
Other gains and losses, net	\$ 1,011,054	5,956

(iv) Finance costs

	2021	2020
Interest expense	\$ 59,273	78,788

(w) Reclassification of components of other comprehensive income

The changes in components of other comprehensive income were as follows:

	2021	2020
Effective portion of cash flow hedges:		
Net gains (losses) for current year	\$ 29,376	(29,380)
Less: Adjustment of reclassification included in profit or loss	(24,896)	(28,787)
Net gains (losses) recognized in other comprehensive income	\$ 54,272	(593)

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum credit risk exposure of the Company's financial assets is equal to their carrying amount. As of December 31, 2021 and 2020, the maximum credit risk exposure amounted to \$3,181,838 thousand and \$2,143,945 thousand, respectively.

2) Concentration of credit risk

The Company's cash and cash equivalents and accounts receivable are the main source of potential credit risk. The Company deposits its cash and cash equivalents in different financial institutions and has no concentration of credit risk on an individual customer. Therefore, the Company concluded that it is not exposed to credit risk. The Company guarantees bank loans for investees. The Company concluded that it is not exposed to credit risk for these transactions.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	<u>Contractual cash flows</u>	<u>Within 6 months</u>
December 31, 2021		
Non-derivative financial liabilities		
Short-term borrowings	\$ 2,207,590	2,207,590
Accounts payable	789,029	789,029
Other payable	726,615	726,615
Long-term borrowings (including other long-term borrowings and current portion)	2,549,024	212,871
Lease liabilities	44,841	24,760
Deposits received	16,854	-
Derivative financial liabilities		
Other forward contracts:		
Outflow	<u>93</u>	<u>93</u>
	<u>\$ 6,334,046</u>	<u>3,960,958</u>
December 31, 2020		
Non-derivative financial liabilities		
Short-term borrowings	\$ 2,699,986	2,699,986
Accounts payable	674,118	674,118
Other payable	509,913	509,913
Long-term borrowings (including current portion)	3,471,621	1,065,410
Lease liabilities	44,800	15,062
Deposits received	16,855	-
Derivative financial liabilities		
Other forward contracts:		
Outflow	<u>81</u>	<u>81</u>
	<u>\$ 7,417,374</u>	<u>4,964,570</u>

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
	-	-	-	-
	-	-	-	-
	-	-	-	-
	212,385	888,769	1,234,999	-
	13,864	4,491	1,322	404
	-	2,487	11,247	3,120
	-	-	-	-
	<u>226,249</u>	<u>895,747</u>	<u>1,247,568</u>	<u>3,524</u>
	-	-	-	-
	-	-	-	-
	-	-	-	-
	1,063,431	412,877	929,903	-
	15,062	14,385	291	-
	-	1,198	12,536	3,121
	-	-	-	-
	<u>1,078,493</u>	<u>428,460</u>	<u>942,730</u>	<u>3,121</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(iii) Currency risk

1) Risk exposure

The Company's financial assets and financial liabilities exposed to significant currency risk were as follows:

	<u>Foreign currency</u> <u>(thousand dollars)</u>	<u>Exchange rate</u>	<u>NTD</u>
December 31, 2021			
Financial assets:			
Monetary assets:			
USD	\$ 53,938	27.6900	1,493,543
EUR	\$ 2,912	31.3035	91,156
JPY	\$ 29,731	0.2404	7,147
CNY	\$ 17,975	4.3446	78,094
Financial liabilities:			
Monetary liabilities:			
USD	\$ 55,916	27.6900	1,548,314
EUR	\$ 3,128	31.3035	97,917
JPY	\$ 16,415	0.2404	3,946
December 31, 2020			
Financial assets:			
Monetary assets:			
USD	\$ 34,923	28.5080	995,585
EUR	\$ 1,730	35.0563	60,647
JPY	\$ 1,016	0.2765	281
CNY	\$ 10,992	4.3813	48,159
Financial liabilities:			
Monetary liabilities:			
USD	\$ 45,110	28.5080	1,285,996
EUR	\$ 1,455	35.0563	51,007

2) Sensitivity analysis

The Company's exposure to foreign currency risk arose from cash and cash equivalents, accounts and other receivables, loans and borrowings, and accounts and other payables that were denominated in foreign currencies. If the NTD against the foreign currency had depreciated / appreciated by 1% and all the factors are remaining unchanged. The Company's net income before tax would have increased / decreased by \$198 thousand for the year ended December 31, 2021, the Company's net income before tax would have decreased / increased by \$2,323 thousand for the year ended December 31, 2020, respectively, with all other variable factors remaining constant, the analysis was performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

The amount, expressed in functional currency, of foreign exchange gain and loss (including realized and unrealized portion) of the Company's monetary items, and the exchange rate used to translate the original amount to the Company's functional currency, NTD (also the expressed currency), were as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Foreign exchange</u> <u>gain (loss)</u>	<u>Average exchange</u> <u>rate</u>	<u>Foreign exchange</u> <u>gain (loss)</u>	<u>Average exchange</u> <u>rate</u>
NTD	\$ (4,113)	-	7,986	-

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(iv) Interest rate risk analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based at the risk exposure to interest rates of the non-derivative financial instruments on the reporting date. For floating-rate instruments, the sensitivity analysis assumes the floating-rate liabilities as of the reporting date are outstanding for the whole year.

If the interest rate had increased / decreased by 1%, the Company's net income before tax would have decreased / increased by \$47,007 thousand and \$61,205 thousand for the years ended December 31, 2021 and 2020, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at floating rates.

(v) Fair value

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Company's financial assets and liabilities are valued approximately to their fair value, and are not based on observable market data and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the regulations.

	December 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 713	-	713	-	713
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	668,140	668,140	-	-	668,140
Unlisted stocks (domestic and overseas)	552,529	-	-	552,529	552,529
Total	<u>\$ 1,221,382</u>	<u>668,140</u>	<u>713</u>	<u>552,529</u>	<u>1,221,382</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 93	-	93	-	93
December 31, 2020					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 3,460	-	3,460	-	3,460
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic and overseas)	838,235	-	-	838,235	838,235
Total	<u>\$ 841,695</u>	<u>-</u>	<u>3,460</u>	<u>838,235</u>	<u>841,695</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 81	-	81	-	81

2) Valuation techniques and assumptions used in fair value determination

If the financial instruments held by the Company have the quoted market price in active market, the fair value of the assets is based on the quoted market price. However, if the instruments have no quoted market price in active market, the Company uses market comparison approach to evaluate the fair value. The main assumption is based on the investee's earnings after tax and the listed (over the counter) company's earnings used in computing the market price. The estimated price has been discounted due to the price of the securities lacks the liquidity. Forward Exchange Contracts are normally priced based on the exchange rates provided by the World Agencies.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

3) Reconciliation of Level 3 fair values

	<u>Unquoted equity instruments</u>	
Balance at January 1, 2021	\$	838,235
Total gains recognized:		
In other comprehensive income (loss)		297,884
Transfer into level 1		<u>(583,590)</u>
Balance at December 31, 2021	\$	<u>552,529</u>
Balance at January 1, 2020	\$	817,237
Total gains recognized:		
In other comprehensive income (loss)		<u>20,998</u>
Balance at December 31, 2020	\$	<u>838,235</u>

4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income - equity investments without an active market	Comparative listed company	<ul style="list-style-type: none">Multipliers of price-to-earnings ratios as of December 31, 2021 and 2020 were 9.45~20.31 and 15.62~17.8, respectivelyMultipliers of equity ratios as of December 31, 2020 were 1.38Market liquidity discount rate as of December 31, 2021 and 2020 was both 20%	<ul style="list-style-type: none">the estimated fair value would have been higher if the price-to-earnings and market-to-book ratios would be higher.the estimated fair value would have been higher if the market liquidity discount would be lower.

Since Evergreen Steel Corporation was listed in April 2021, its fair value measurement was transferred from the level 3 to level 1.

5) Fair value measurements in Level 3 - sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	<u>Input</u>	<u>Assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2021				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	\$ 6,905	(6,905)
December 31, 2020				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	10,482	(10,482)

The favorable and unfavorable effects represent the changes in fair value, and the fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(y) Financial risk management

(i) Overview

The Company is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note discloses information about the Company's exposure to the aforementioned risks, and its goals, policies, and procedures regarding the measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the financial report.

(ii) Risk management framework

The Company's finance department is responsible for the establishment and management of the Company's risk management framework and policies. It is overseen by and reports to management, the Audit Committee, and the Board of Directors regarding the framework's operations.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. In 2021 and 2020, there was no geographical concentration of credit risk regarding the Company's revenue.

The sales department and the finance department of the Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes the history of transactions with the counterparty, its financial position, and geographic considerations. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Goods are sold subject to a retention of title clause so that in the event of non-payment, the Company may have a secured claim. The Company otherwise does not require collateral in respect of trade and other receivables.

The Company has established an allowance for doubtful accounts to reflect its actual and estimated potential losses resulting from uncollectible accounts and trade receivables. The allowance for doubtful accounts consists primarily of specific losses regarding individual customers and estimates of potential losses based on the use of lifetime expected credit loss provision.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments is measured and monitored by the Company's finance department. Since those who transact with the Company are banks and other external parties with good credit standing, financial institutions with a credit rating above investment grade, and government agencies, there are no non-compliance issues. With regard to investment in a financial institution with a credit rating above investment grade, an investment limit is set according to the long-term credit rating. Hence, there is no significant credit risk.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

3) Guarantees

The Company's policy allows it to provide financial guarantees to business partners or to related parties and jointly controlled entities according to its percentage ownership in these entities. Financial guarantees provided to subsidiaries, associates, and jointly controlled entities by the Company as of December 31, 2021 and 2020, are disclosed in note 7 "Related-party Transactions."

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of the Company. The currencies used in these transactions are USD, EUR, JPY and CNY.

Foreign exchange gains and losses resulting from account and trade receivables held by the Company in a currency other than the respective functional currencies are used to offset foreign exchange gains and losses resulting from short-term loans denominated in a foreign currency. Hence, the Company's risk exposure to foreign exchange risk is reduced.

Interest expenses are denominated in the same currency as that of the principal. Generally, the currency of loans matches that of the Company's operating cash flow, primarily NTD and USD.

With regard to monetary assets and liabilities denominated in a foreign currency, when a short-term risk exposure exists, the Company relies on immediate foreign exchange transactions to ensure the net exposure to foreign exchange risk is maintained at an acceptable level.

The Company does not hedge against investments in subsidiaries.

2) Interest rate risk

The interest rates of the Company's long-term and short-term borrowings are floating. Hence, changes in market conditions will cause fluctuations in the effective interest rate of the aforementioned loans. The Company's finance department monitors and measures potential changes in market conditions, entering into interest rate swaps to achieve a fixed interest rate on the Company's loans.

3) Other market price risk

The Company does not enter into any commodity contracts other than to meet the Company's expected usage and sales requirements; such contracts are not settled on a net basis.

(z) Capital management

The Company goal of capital management is to ensure the Company's continuing operating capacity, and to continuously provide remuneration to the shareholders and benefits to other equity holders. To ensure that the above-mentioned goal is achieved, the Company's management reviews its capital structure periodically. In consideration of the overall economic situation, financing cost and sufficiency of cash in-flows generated by operating activities, the Company will adjust its capital structure by paying dividends, issuing new stock, purchasing treasury stock, increasing or decreasing loans, and issuing or purchasing bonds.

The Company's capital structure at the end of the reporting period were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	\$ 7,419,630	8,236,203
Total equity	<u>18,025,950</u>	<u>14,139,120</u>
Total assets	<u>\$ 25,445,580</u>	<u>22,375,323</u>
Debts ratio	<u>29%</u>	<u>39%</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

As of December 31, 2021, the debts ratio decreased is mainly resulted from increasing profit and loan repayments.

(aa) Investing and financing activities not affecting current cash flow

The Company did not have any non-cash flow transactions on investing and financing activities for the years ended December 31, 2021 and 2020.

(ab) Reconciliation of liabilities arising from financing activities

Reconciliations of liabilities arising from financing activities for the years ended December 31, 2021 and 2020 were as follows:

	January 1, 2021	Cash flows	Non-cash changes			December 31, 2021
			Foreign exchange movement	Amorti- zation of commer- cial paper discount	Others	
Long-term borrowings (in- cluding current portion)	\$ 3,073,718	(927,962)	-	-	-	2,145,756
Other long-term borrowings	349,341	-	-	581	-	349,922
Short-term borrowings	2,697,482	(459,971)	(32,458)	-	-	2,205,053
Lease liabilities	44,451	(49,157)	-	905	48,248	44,447
Total liabilities from financing activities	<u>\$ 6,164,992</u>	<u>(1,437,090)</u>	<u>(32,458)</u>	<u>1,486</u>	<u>48,248</u>	<u>4,745,178</u>

	January 1, 2020	Cash flows	Non-cash changes			December 31, 2020
			Foreign exchange movement	Amorti- zation of commer- cial paper discount	Others	
Long-term borrowings (in- cluding current portion)	\$ 3,450,000	(376,282)	-	-	-	3,073,718
Other long-term borrowings	349,287	-	-	54	-	349,341
Short-term borrowings	3,135,563	(379,814)	(58,267)	-	-	2,697,482
Lease liabilities	113,562	(51,357)	-	1,166	(18,920)	44,451
Total liabilities from financing activities	<u>\$ 7,048,412</u>	<u>(807,453)</u>	<u>(58,267)</u>	<u>1,220</u>	<u>(18,920)</u>	<u>6,164,992</u>

<7> Related-party transactions

(a) Parent company and ultimate controlling party

Montrion Corporation is the ultimate controlling party of the Company. It indirectly controls Han-De Construction Co., Ltd. and Wei-Dar Development Co., Ltd., who held more than half of the members of the directors of the Company through their shares.

(b) Names and relationship with related parties

In this financial report, the related parties having transactions with the Company and subsidiaries were listed as below:

Name of related party	Relationship with the Company
Trimurti Holding Corporation	The subsidiary of the Company
Hardison International Corporation	"
Dymas Corporation	"
TSRC (Hong Kong) Limited	"
TSRC (Shanghai) Industries Ltd.	"
TSRC (Lux.) Corporation S.A R.L.	"
TSRC (USA) Investment Corporation	"
TSRC Specialty Materials LLC (Formerly known as Dexco Polymers L.P.)	"
Polybus Corporation Pte Ltd	"

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Name of related party	Relationship with the Company
Shen Hua Chemical Industries Co., Ltd.	"
TSRC-UBE (Nantong) Industries Co., Ltd.	"
TSRC (Nantong) Industries Ltd.	"
Triton International Holdings Corporation	"
TSRC (Vietnam) Co., Ltd.	"
Metropolis Property Management Corporation	Other related parties of the Company
Continental Engineering Corporation	"
WFV Corporation	"
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	The subsidiary recognized associates under equity method
Asia Pacific Energy Development Co., Ltd.	"
Indian Synthetic Rubber Private Limited	The subsidiary recognized joint venture under equity method
Nantong Qix Storage Co., Ltd.	"

(c) Significant transactions with related parties

(i) Revenue

The amounts of sales transactions with related parties were as follows:

	2021	2020
Subsidiaries	<u>\$ 731,671</u>	<u>553,313</u>

There were no significant differences between the pricing of sales transactions with related parties and that with other customers. The payment terms ranged from two to three months, which were similar to those given to other customers.

(ii) Purchases

The amounts of purchase transactions with related parties were as follows:

	2021	2020
Subsidiaries	<u>\$ 33,624</u>	<u>16,452</u>

There were no significant differences between the pricing of purchase transactions with related parties and that with other suppliers. The payment terms ranged from one to two months, which were similar to other suppliers.

(iii) Service income and expenses

1) The Company provided warehouse, management, technologies and IT services to its subsidiaries, associates, and joint ventures. The amounts recognized as other income and expenses were as follows:

	2021	2020
Subsidiaries		
TSRC (Nantong) Industries Ltd.	\$ 84,344	55,791
TSRC (Vietnam) Co., Ltd.	24,821	7,147
Other subsidiaries	31,783	25,560
Associates		
Other associates	16,538	11,241
Joint ventures		
Indian Synthetic Rubber Private Limited	<u>71,255</u>	<u>42,370</u>
	<u>\$ 228,741</u>	<u>142,109</u>

2) The Company received consulting services such as marketing, research environmental, security and agency services from its subsidiaries and other related parties. For the years ended December 31, 2021 and 2020, the services amounted to \$119,027 thousand and \$69,775 thousand, respectively, and were recorded under operating costs and operating expenses.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(iv) Leases - Rent income

	2021	2020
Other related parties	\$ <u>4,472</u>	<u>4,472</u>

The amount of rent is in reference to neighboring rent, and the rental is collected monthly from other related parties.

(v) Receivables from related parties

The details of the Company's receivables from related parties were as follows:

Account	Type of related parties	December 31, 2021	December 31, 2020
	Subsidiaries		
Accounts receivable - related parties	TSRC (Nantong) Industries Ltd.	\$ 20,791	21,909
Accounts receivable - related parties	TSRC (Lux.) Corporation S.A R.L.	71,287	32,789
Accounts receivable - related parties	TSRC Specialty Materials LLC	94,756	28,862
Accounts receivable - related parties	Other subsidiaries	<u>16,206</u>	<u>3,713</u>
		<u>203,040</u>	<u>87,273</u>
	Subsidiaries		
Other receivables	TSRC (Nantong) Industries Ltd.	146,230	63,830
Other receivables	Other subsidiaries	16,572	13,996
	Associates		
Other receivables	Other associates	14,036	9,479
	Joint ventures		
Other receivables	Indian Synthetic Rubber Private Limited	<u>17,797</u>	<u>17,184</u>
		<u>194,635</u>	<u>104,489</u>
		<u>\$ 397,675</u>	<u>191,762</u>

(vi) Payables to related parties

As the result of the aforementioned transactions, the details of the Company's payables to related parties were as follows:

Account	Type of related parties	December 31, 2021	December 31, 2020
Accounts payables	Subsidiaries	\$ <u>8,134</u>	<u>3,827</u>
	Subsidiaries		
Other payables	TSRC (Lux.) Corporation S.A R.L.	47,795	52,630
Other payables	Other related parties	24,909	21,027
	Joint ventures		
Other payables	Indian Synthetic Rubber Private Limited	1,246	-
Other payables	Other related parties	<u>469</u>	<u>416</u>
		<u>74,419</u>	<u>74,073</u>
		<u>\$ 82,553</u>	<u>77,900</u>

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(vii) Guarantees

The credit limits of the guarantees the Company had provided to the bank for related parties were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries		
TSRC (Vietnam) Co., Ltd.	\$ 628,563	504,592
TSRC (USA) Investment Corporation	830,700	427,620
TSRC Specialty Materials LLC	276,900	285,080
Associates		
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	500,576	1,577,416
Joint ventures		
Indian Synthetic Rubber Private Limited	<u>922,077</u>	<u>949,316</u>
	<u>\$ 3,158,816</u>	<u>3,744,024</u>

Accordingly, the amounts of the Company recognized provision liabilities and the investment accounted for under the equity method were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Associates		
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 1,782	733
Joint ventures		
Indian Synthetic Rubber Private Limited	<u>25,975</u>	<u>31,086</u>
	<u>\$ 27,757</u>	<u>31,819</u>

(d) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 106,415	86,175
Post-employment benefits	604	565
	<u>\$ 107,019</u>	<u>86,740</u>

<8> Pledged assets: None.

<9> Commitments and contingencies

(a) The unused letters of credit outstanding

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The Company's unused letters of credit outstanding	<u>\$ 555,290</u>	<u>893,828</u>

(b) Total amounts and the cumulative payments of Company's signed construction and design contracts with several vendors as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The total amounts of construction in progress contracts	<u>\$ 365,300</u>	<u>408,750</u>
Cumulative payments	<u>\$ 299,896</u>	<u>179,653</u>

<10> Losses Due to Major Disasters: None.

<11> Subsequent Events: None.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<12> Other

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By nature \ By function	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary (note 1)	332,580	377,413	709,993	325,722	355,675	681,397
Labor and health insurance	34,513	29,898	64,411	33,666	27,359	61,025
Pension (note 2)	16,578	15,138	31,716	17,037	14,863	31,900
Directors' remuneration	-	34,432	34,432	-	6,276	6,276
Others (note 3)	104,134	153,600	257,734	38,367	44,630	82,997
Depreciation (note 4)	214,198	71,527	285,725	237,649	69,594	307,243
Amortization	5,493	14,615	20,108	4,403	16,015	20,418

Note1 : Salary includes base salary, overtime pay, performance bonus, year-end bonus and pay in lieu of untaken annual leave, etc.

Note2 : Pension expenses excluded expenses for employees on international assignments amounting to \$1,553 thousand and \$1,649 thousand for the years ended December 31, 2021 and 2020, respectively.

Note3 : Other employee benefit includes meal expenses, employee welfare, training fees and employee compensation.

Note4 : Depreciation expenses excluded expenses for investment property recognized under other income and expenses, amounting to \$14,725 thousand and \$14,726 thousand for the years ended December 31, 2021 and 2020, respectively.

The Company's number of employees for the years ended December 31, 2021 and 2020 and additional information on employee benefits are as follows :

	2021	2020
Number of employees	<u>678</u>	<u>690</u>
Number of directors who were not employees	<u>6</u>	<u>6</u>
The average employee benefit	<u>\$ 1,583</u>	<u>1,253</u>
The average salaries and wages	<u>\$ 1,057</u>	<u>996</u>
The average of employee salary cost adjustment as follows	<u>6.12%</u>	
Supervisor remuneration	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

- Directors' remuneration: The remuneration of the directors of the Company is in accordance with the Articles of Incorporation. The remuneration of directors is determined by the Board of Directors based on the directors' participation and contribution to the Company's operations, and also with reference to the level of the industry; directors' remuneration is allocated 1% based on the Company's profitability. The following is approved by the board of directors.
- Managers and employees' remuneration: Base on the market competitive salary levels as well as the reference to the same industry and the overall operating performance, individual performance, and comprehensive contribution considerations, etc., to set the payment principal, then the Company would base on the sales representative responsibility regulations to review and approved.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

<13> Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance
1	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	Loan	Yes	231,631	230,264
2	Polybus Corporation Pte Ltd	TSRC	Account receivable - related parties	Yes	684,744	664,560
3	TSRC(Hong Kong) Limited	TSRC	Account receivable - related parties	Yes	171,186	166,140
4	TSRC (Hong Kong) Limited	TSRC (VIETNAM) CO., LTD.	Account receivable - related parties	Yes	110,760	110,760
5	TSRC Specialty Materials LLC	TSRC (USA) Investment Corporation	Account receivable - related parties	Yes	427,965	415,350

Note 1: The loan limit extended per party should not be over 10% of total equity. However, if the counterparty is a subsidiary 100% owned, directly or indirectly by TSRC, the loan limit extended per party should not be over 50% of the total equity of the most recent financial statements audited or reviewed by a CPA.

Note 2: The maximum loan extended to all parties should not be over 40% of total equity. However, if the counterparty is a subsidiary 100% owned, directly or indirectly by TSRC, the total loan limit should not be over 100% of total equity of the most recent financial statements audited or reviewed by a CPA.

Note 3: The fund of loan are 100% owned by TSRC.

Note 4: Credit period: The financing period should not be over one year.

Note 5: Nature of financing activities is as follows:

(1) if there are transactions between these two parties, the number is "1".

(2) if it is necessary to loan to other parties, the number is "2".

(ii) Guarantees and endorsements for other parties:

No.	Name of Company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements
		Name	Relationship with the Company			
0	TSRC	TSRC (USA) Investment Corporation	4	(Note 2)	835,980	830,700 (Note 4)
0	TSRC	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	6	(Note 2)	1,561,828	500,576 (Note 4)
0	TSRC	Indian Synthetic Rubber Private Limited	6	(Note 2)	950,082	922,077
0	TSRC	TSRC (Vietnam) Co., Ltd.	4	(Note 2)	631,287	628,563
0	TSRC	TSRC Specialty Materials LLC	4	(Note 2)	285,310	276,900

Note 1: The guarantee's relationship with the guarantor is as follows:

(1) A company with which it does business.

(2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.

(3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.

(4) A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.

(5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Unit: thousand NTD

Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers (Note 5)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing Company (Note1)	Maximum financing limit for the lender (Note2)
						Item	Value		
-	3.698%	2	-	Operating capital	-		-	176,149	352,298
-	0.288%	2	-	Operating capital	-		-	4,570,861	9,141,721
-	0.284%	2	-	Operating capital	-		-	1,836,168	3,672,336
-		2	-	Operating capital	-		-	1,836,168	3,672,336
235,365	0.12%~0.33%	2	-	Operating capital	-		-	1,181,518	2,363,035

Unit: thousand NTD

Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of Company in Mainland China
107,991	-	4.61%	(Note 3)	Y		
13,103	-	2.78%	(Note 3)			Y
491,498	-	5.12%	(Note 3)			
382,122	-	3.49%	(Note 3)	Y		
118,064	-	1.54%	(Note 3)	Y		

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Note 2: The guaranteed amount is limited to sixty percent of issued capital, amounting to \$10,815,570 thousand.

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to \$27,038,925 thousand.

Note 4: Party of guarantee and endorsement: The board of director approved the contract renewal before the old contract expired. During the board of director approval date to the new contract effective date, the balance of guarantees was calculated repeatedly. If the repeated amounts were excluded, the ending balance of guarantees of TSRC (USA) Investment Corporation and ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd. amounted to \$415,350 thousand and \$457,130 thousand, respectively.

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of security	Relationship with the security issuer	Account name
TSRC	Evergreen Steel Corporation	-	Available-for-sale financial assets - non-current
TSRC	Thai Synthetic Rubbers Co., Ltd.	-	Available-for-sale financial assets - non-current
TSRC	Hsin-Yung Enterprise Corporation	-	Available-for-sale financial assets - non-current
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	-	Available-for-sale financial assets - non-current

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount
TSRC	Kaohsiung City, Renwu district's land and property	2021.03.11	1999.07.29	201,665	1,220,000

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of Company	Counter-party	Relationship
TSRC (Lux.) Corporation S.A R.L.	TSRC	Parent and subsidiary companies
TSRC	TSRC (Lux.) Corporation S.A R.L.	Parent and subsidiary companies
TSRC Specialty Materials LLC	TSRC	Parent and subsidiary companies
TSRC	TSRC Specialty Materials LLC	Parent and subsidiary companies
TSRC-UBE (Nantong) Industries Co., Ltd.	Marubeni Corporation	A director of TSRC-UBE (Nantong) Industries Co., Ltd.
Shen Hua Chemical Industries Co., Ltd.	Marubeni Corporation	A director of Shen Hua Chemical Industries Co., Ltd.
Polybus Corporation Pte Ltd	TSRC (Nantong) Industries Ltd.	Related parties

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Unit: thousand NTD

Ending balance				Remarks
Number of shares	Book value	Holding percentage	Market value	
12,148,000	668,140	2.89%	668,140	
599,999	171,869	5.42%	171,869	
5,657,000	380,660	3.90%	380,660	
837,552	<u>239,917</u>	7.57%	<u>239,917</u>	
	<u>1,460,586</u>		<u>1,460,586</u>	

Unit: thousand NTD

Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
According to the signing contract of the sale and purchase of real estate	909,118	CHEN TA HSIUNG DEVELOPMENT CO., LTD.	Non-related parties	Activates its assets	Appraisal of real estate report	None

Unit: thousand NTD

Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Purchase	282,161	11.35%	70days	-		(71,287)	(13.41)%	
Sale	(282,161)	(2.53)%	70days	-		71,287	4.44%	
Purchase	298,138	10.78%	70days	-		(94,756)	(28.12)%	
Sale	(298,138)	(2.67)%	70days	-		94,756	5.90%	
Purchase	127,037	6.28%	14days	-		1,315	1.08%	
Purchase	177,767	3.11%	14days	-		-	- %	
Purchase	254,450	38.20%	40days	-		(53,175)	(38.32)%	

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Name of Company	Counter-party	Relationship
TSRC (Nantong) Industries Ltd	Polybus Corporation Pte Ltd	Related parties
Polybus Corporation Pte Ltd	Shen Hua Chemical Industries Co., Ltd.	Related parties
Shen Hua Chemical Industries Co., Ltd.	Polybus Corporation Pte Ltd	Related parties
TSRC (Lux.) Corporation S.A R.L.	TSRC Specialty Materials LLC	Related parties
TSRC Specialty Materials LLC	TSRC (Lux.) Corporation S.A R.L.	Related parties
TSRC (Lux.) Corporation S.A R.L.	TSRC (Nantong) Industries Ltd.	Related parties
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.A R.L.	Related parties

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of related party	Counter-party	Relationship
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.A R.L.	Related parties
TSRC Specialty Materials LLC	TSRC (Lux.) Corporation S.A R.L.	Related parties
TSRC Specialty Materials LLC	TSRC (USA) Investment Corporation	Related parties

Note 1: Until March 10, 2022.

(ix) Trading in derivative instruments: Please refer to note 6(b).

(b) Information on investees:

The following is the information on investees for the year 2021 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business
TSRC	Trimurti Holding Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
TSRC	Hardison International Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
TSRC	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
TSRC	TSRC (Vietnam) Co., Ltd.	8 VSIP II A Street 31, Vietnam Singapore Industrial Park II A, Tan Uyen Town, Binh Duong Province, Vietnam	Production and processing of rubber color masterbatch, thermoplastic elastomer and plastic compound products.
Trimurti Holding Corporation	Polybus Corporation Pte Ltd	100 Peck Seah Street #09 16 Singapore 079333	International commerce and investment corporation

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Sale	(254,450)	(4.48)%	40days	-		53,175	6.97%	
Purchase	367,934	55.24%	40days	-		(72,975)	(52.10)%	
Sale	(367,934)	(4.59)%	40days	-		72,975	4.86%	
Purchase	655,296	26.36%	90days	-		(165,389)	(31.12)%	
Sale	(655,296)	(15.33)%	90days	-		165,389	28.82%	
Purchase	1,545,396	62.15%	70days	-		(303,804)	(57.16)%	
Sale	(1,545,396)	(27.22)%	70days	-		303,804	39.83%	

Unit: thousand NTD

Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period (Note 1)	Allowances for bad debts
		Amount	Action taken		
303,804	7.78	-		214,637	-
165,389	6.13	-		119,595	-
235,365	-	-		235,365	-

Unit: thousand NTD/thousand USD/thousand EUR

Original cost		Ending balance			Net income (loss) of investee	Investment income (loss)	Remarks
December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Book value			
1,005,495	1,005,495	86,920,000	100.00%	14,810,412	2,249,887	2,249,887	Subsidiary
109,442	109,442	3,896,305	100.00%	666,055	16,980	16,980	Subsidiary
38,376	38,376	1,161,004	19.48%	141,941	24,112	4,697	Subsidiary(Note2)
342,742	278,280	-	100.00%	215,455	(40,674)	(40,674)	Subsidiary
1,802,647 (USD65,101)	1,802,647 (USD65,101)	105,830,000	100.00%	9,141,721	1,297,441	1,297,441	Indirectly owned subsidiary

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Name of investor	Name of investee	Address	Scope of business
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	15/F BOC Group Life Assurance Tower 136 Des Voeux Road Central	Investment corporation
Trimurti Holding Corporation	Indian Synthetic Rubber Private Limited	Room No.702, Indian Oil Bhawan, 1 Sri Aurobindo Marg, Yusuf Sarai, New Delhi 110016, India	Production and sale of ESBR
TSRC (Hong Kong) Limited	TSRC (Lux.) Corporation S.A R.L.	39-43 avenue de la Liberte L 1931 Luxembourg	International commerce and investment corporation
TSRC (Lux.) Corporation S.A R.L.	TSRC (USA) Investment Corporation	2711 Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware, 19808.	Investment corporation
TSRC (USA) Investment Corporation	TSRC Specialty Materials LLC	12012 Wickchester Lane, Suite 280, Houston, TX77079	Production and sale of TPE
Hardison International Corporation	Triton International Holdings Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
Dymas Corporation	Asia Pacific Energy Development Co., Ltd.	Cayman Islands	Consulting for electric power facilities management and electrical system design

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD27.690; EUR1 to NTD31.3035).

Note 2: TSRC directly owns 19.48% of Dymas's equity and indirectly owns 80.52% via Hardison International Corporation, total directly and indirectly owns of equity are 100%.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2021
Shen Hua Chemical Industries Co., Ltd.	Production and sale of synthetic rubber products	1,141,832 (USD41,220)	(2)a.	-
Changzhou Asia Pacific Co-generation Co., Ltd.	Power generation and sale of electricity and steam	639,639 (USD23,100)	(2)c.	106,108 (USD3,832)
TSRC (Shanghai) Industries Ltd.	Production and sale of compounding materials	152,295 (USD5,500)	(2)b.	108,545 (USD3,920)
Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	83,070 (USD3,000)	(2)d.	41,535 (USD1,500)
TSRC-UBE (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	1,107,600 (USD40,000)	(2)a.	27,690 (USD1,000)
TSRC (Nantong) Industries Ltd.	Production and sale of TPE	2,910,911 (USD105,125)	(2)a.	184,083 (USD6,648)
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	Production and sale of NBR	1,240,512 (USD44,800)	(2)a.	-

Note 1: The method of investment is divided into the following four categories:

- (1) Remittance from third-region companies to invest in Mainland China.
- (2) Through the establishment of third-region companies then investing in Mainland China.
 - a. Through the establishment of Polybus Corporation Pte. Ltd. then investing in Mainland China.
 - b. Through the establishment of TSRC (Hong Kong) Limited then investing in Mainland China.
 - c. Through the establishment of Asia Pacific Energy Development Co., Ltd. then investing in Mainland China.
 - d. Through the establishment of Triton International Holdings Corporation then investing in Mainland China.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.

Note 2: The investment income (losses) were recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: The investment income (losses) were recognized under the equity method and based on the financial statements audited by international accounting firms.

Note 4: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD27.690).

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Original cost		Ending balance			Net income (loss) of investee	Investment income (loss)	Remarks
December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Book value			
2,875,607 (USD103,850)	2,875,607 (USD103,850)	103,850,000	100.00%	3,672,336	364,704	364,704	Indirectly owned subsidiary
816,107 (USD29,473)	816,107 (USD29,473)	222,861,375	50.00%	1,130,197	1,207,138	603,569	-
2,343,681 (EUR74,870)	2,343,681 (EUR74,870)	74,869,617	100.00%	2,911,736	285,684	285,684	Indirectly owned subsidiary
2,659,625 (USD96,050)	2,659,625 (USD96,050)	130	100.00%	2,762,795	163,233	163,233	Indirectly owned subsidiary
6,053,505 (USD218,617)	6,053,505 (USD218,617)	-	100.00%	2,363,035	321,142	321,142	Indirectly owned subsidiary
1,385 (USD50)	1,385 (USD50)	50,000	100.00%	56,136	(2,368)	(2,368)	Indirectly owned subsidiary
132,884 (USD4,799)	132,884 (USD4,799)	4,798,566	80.52%	608,022	24,112	19,415	Indirectly owned subsidiary
312,482 (USD11,285)	312,482 (USD11,285)	7,522,337	37.78%	339,063	44,847	16,943	-

Unit: thousand NTD

Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2021	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
Remittance amount	Repatriation amount						
-	-	-	1,002,175	65.44%	655,824 (Note2)	2,371,007	4,786,340
-	-	106,108 (USD3,832)	135,274	28.34%	38,337 (Note3)	338,468	358,308
-	-	108,545 (USD3,920)	89,300	100.00%	89,300 (Note2)	352,298	-
-	-	41,535 (USD1,500)	(4,642)	50.00%	(2,321) (Note2)	55,819	74,060
-	-	27,690 (USD1,000)	415,589	55.00%	228,574 (Note2)	1,043,614	-
-	-	184,083 (USD6,648)	276,512	100.00%	276,512 (Note2)	4,302,489	440,864
-	-	-	367,700	50.00%	183,850 (Note3)	505,494	-

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(ii) Limitation on investment in Mainland China:

Accumulated investment amount in Mainland China as of December 31, 2021	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
467,961 (USD16,900)	5,187,306 (USD187,335) (Note 2)	- (Note 1)

Note 1: In accordance with the "Regulations on Permission for Investment or Technical Cooperation in Mainland China" and the "Principles for Examination of Applications for Investment or Technical Cooperation in Mainland China" amended and ratified by the Executive Yuan on August 22, 2008, the Company met the criteria for operational headquarters under the Statute for Industrial Innovation and obtained approval from the Industrial Development Bureau, Ministry of Economic Affairs, on August 18, 2021. As it has an operational headquarters status, the Company is not subject to the limitation as to the amount of investment in Mainland China during the period from August 12, 2021 to August 11, 2024.

Note 2: This amount includes capital increase out of earnings, approved by the Investment Commission, MOEA.

Note 3: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD27.690).

(iii) Significant transactions

1) Sales and accounts receivable

Sales to related parties in Mainland China are summarized as follows:

	2021
TSRC (Shanghai) Industries Ltd.	\$ 8,450
TSRC (Nantong) Industries Ltd.	99,524
	<u>\$ 107,974</u>

The related accounts receivable resulting from the above transactions as of December 31, 2021 are as follows:

	December 31, 2021
TSRC (Shanghai) Industries Ltd.	\$ 2,846
TSRC (Nantong) Industries Ltd.	20,791
	<u>\$ 23,637</u>

There were no significant differences between the pricing of sales transactions with related parties and that with other customers. The payment terms ranged from two to three months, which were similar to those given to other customers.

2) Purchases and accounts payable

Purchase from related parties in Mainland China are summarized as follows:

	2021
TSRC (Nantong) Industries Ltd.	<u>\$ 33,624</u>

The related accounts payable resulting from the above transactions as of December 31, 2021 are as follows:

	December 31, 2021
TSRC (Nantong) Industries Ltd.	<u>\$ 8,134</u>

There were no significant differences between the pricing of purchases transactions with related parties and that with other suppliers. The payment terms ranged from one to two months, which were similar to other suppliers.

3) Service income

Home page

Table of Contents

Letter to the Shareholders

Company profile

Corporate governance report

Information on capital raising activities

Overview of business operations

Overview of financial status

Review and analysis of the Company's financial position and financial performance, and risk management

Special items to be included

Other disclosures

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Nature	Name	Service income in 2021	Accounts receivable as of December 31, 2021
Management and technology services	Shen Hua Chemical Industries Co., Ltd.	\$ 5,298	1,061
Management and technology services & technology licensing	TSRC (Nantong) Industries Ltd.	84,344	146,230
Management and technology services	TSRC-UBE (Nantong) Industries Ltd.	803	-
Management and technology services	TSRC (Shanghai) Industries Ltd.	11,669	2,790
Technology licensing	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	<u>16,538</u>	<u>14,036</u>
		<u>\$ 118,652</u>	<u>164,117</u>

4) Guarantees

As of December 31, 2021, guarantees provided by the Company for the bank loans of investees in Mainland China was as follows:

	December 31, 2021
ARLANXEO-TSRC (Nantong) Chemical Industrial Co., Ltd.	<u>\$ 500,576</u>

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Panama Banco industrial company		69,524,417	8.41%
Han-De Construction Co.,Ltd.		63,093,108	7.64%
Wei Dah Development Co., Ltd.		53,708,923	6.50%

<14> Segment information

Please refer to the year 2021 consolidated financial statements.