

# CHIMEI

## CHIMEI CORPORATION 2021 Annual Report

### Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Annual Report is available at [www.chimeicorp.com](http://www.chimeicorp.com)

Taiwan Stock Exchange Market Observation Post System: [mops.twse.com.tw](http://mops.twse.com.tw)

Printed on April 20, 2022

## **Name of the Company's Spokesperson and deputy spokesperson**

### **| Spokesman |**

Name: CHEN, SHIH-HSIEN

Title: Vice President

### **| Deputy Spokesman |**

Name: CHEN, CHING-YEN

Title: Manager

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## **Address and telephone of the headquarters, branches, and plants**

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## **Stock Transfer Agent**

Company: Agency Dept. of CTBC Bank

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## **Information of the Certified Public Accountants for the Latest Financial Report**

CPA Firm: KPMG Certified Public Accountants

CPA: Kuo, Rou-Lan & Lien, Shu-Ling

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Tel: +886-2-81016666

Website: [www.kpmg.com.tw](http://www.kpmg.com.tw)

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## **Overseas Securities Exchange: None.**

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## **Corporate Website: <http://www.chimeicorp.com>**

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# 1

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## Letter to Shareholders

- 1.1 Operating Performance in 2021
- 1.2 Business Plan for 2022
- 1.3 Future Development Strategies
- 1.4 Impact of External Competition, Regulatory Environment and Overall Operational Environment

# 1. Letter to Shareholders

## 1.1 Operating Performance in 2021

In 2021, the market sustained its strong demand from the prior year due to the continued impact of the COVID-19 pandemic. In addition, regional supply chain imbalances caused by an ice storm in Texas in the first half of 2021 enabled CHIMEI to gradually expand in the European and American markets. With the continuous growth of sales of various products and the maintenance of competitive prices, operating results in 2021 attained a record high. Operating revenue increased by approximately 57% compared to 2020, while profitability increased significantly by 60% over the same period.

### 1.1.1 Results of business plan implementation

Unit: NT\$ 0.1 billion

Item \ Year	2021	2020	YoY%
Revenue	970.3	618.1	57
Gross Profit	252.1	138.7	82
Operating profit	179.6	92.3	95
Net Profit	215.8	134.6	60

### 1.1.2 Results of budget execution

Summary of Status of Budget Plan in 2021

Unit: NT\$ 0.1 billion

Item	Budget	Actual	Achieving Rate (%)
Revenue	752.35	970.3	129
Gross Profit	227.49	252.1	111
Gross Margin	30%	26%	—
Operating profit	183.37	179.6	98
Operating Margin	24%	19%	—

Although oil prices were gradually rising in 2021, the prior year's strong market demand nonetheless continued. Combined with supply chain disruptions in the European and American markets, arising in turn from extreme weather in the form of the Texas ice storm, annual operating revenue attained 129% of original projections. Also, in the face of rising oil prices and increasing export costs in global transportation due to the pandemic, CHIMEI continued to strengthen its inventory management to avoid increases in raw material costs. While this still led the operating profit margin to fall 5% below projections, the increased operating revenue achievement rate nonetheless reached 98%.

### 1.1.3 Financial income and expense and profitability analysis

In 2021, further improvement in CHIMEI's profitability gave us a greater abundance of own funds, and on the finance side we actively participated in green finance. In addition to existing green bonds, we also dedicated investment allocations to green financial assets such as green bonds that meet investment grade criteria. This resulted in an increase in net interest income in 2021 compared to 2020. With a substantial increase in the overall profitability of the Group, this also reflects increases in return on shareholders' equity and net profit margin.

Item		Year	2021	2020
Financial income and expense	Interest income (NT\$ thousands)		265,568	159,726
	Interest expense (NT\$ thousands)		44,797	46,344
Profitability	Return on total assets		19.46%	14.70%
	Return on stockholders' equity		24.87%	18.64%
	Net margin		22.24%	21.78%
	EPS(NT\$)		12.08	7.54

### 1.1.4 Research and development

#### A. Research & development costs

NT\$ thousands

2021	2020	2019
1,063,266	957,833	1,054,555

#### B. Successfully developed technology or product

Product Categories	Successfully developed products	Remark
ABS	(1)Developed flame retardant ABS environmental protection formula (2)Developed building block specifications	(1)Developed products that are both environmentally friendly and flame retardant. The products are suitable for the production of electrical sockets, power tools, and housings for home appliances. (2)Started mass production in building block specifications and offered stable supply to customers.
	High outdoor durability ASA	Acquired f1 certification for weather resistance and durability in accordance with UL746C standard specifications; this is more suitable for outdoor parts, building materials, and car materials.
	Developed low-haze transparent MABS	Using innovative technology, produced transparent MABS with low haze and better injection temperature dependence

Product Categories	Successfully developed products	Remark
PCR	rABS、FR-rPC、FR-rPC/ABS	PCR (Post-Consumer Recycled) Plastics Post-consumer recycled plastic products, certified by TÜV Rheinland Used in the fields of home appliances and 5G network communication.
PCS	Low-smoke flame-retardant PC, thin gauge transparent flame-retardant PC, high weather resistance FR PC/ASA, electroplating grade PC/ABS	Widely used in network communications, transportation, vehicles, charging piles and batteries, and other industries, the low-smoke flame-retardant PC meets the low-smoke specifications of rail transit (TB/T 3237, EN45545) and network communications (UL 2043). High weather resistance FR PC/ASA also obtained UL f1 certification, and can be widely used in outdoor communication and charging equipment.
PMMA	(1)High flow, thermal stability (2)High heat resistance and surface scratch resistance	(1)High fluidity and high injection thermal stability; has US AMECA certification and is mainly used in the complex component lighting market. (2)High heat resistance and high surface scratch resistance; can be widely used in outdoor lighting and automotive lamp shades and other outdoor needs.
PS	Thin gauge high strength applications	High strength with thin gauge uniformity; can be used for existing vacuum forming thickness reduction, lightweight, and large and complex vacuum forming needs.
RUBBERS	Reduced amount of HBR catalyst	Mainly used in tires and shoe soles to avoid the formation of metal deposits.
	HBR for transparent soles	Mainly used for transparent soles; excellent compatibility with anhydrous white smoke.
	Injection vulcanized sole rubber material	Mainly used to inject vulcanized soles; has good extrudability.
	Optimized solution viscosity control; stable quality	Mainly used for resin modification to increase the yield of resin production.
PC	High quality low crystal point, resistant to hydrolysis and atomization	Mainly used for optical lenses, car lights, films and other applications.



Product Categories	Successfully developed products	Remark
Electronic Materials	Thin high-efficiency light guide plate	Mainly used for super large-scale high-resolution high-contrast 8K HDR display products.
Specialty Chemicals	Low reflection low temperature process black photoresist	Flexible display for plastic substrates.
	Ultra-high-definition high-impedance black photoresist	For high-resolution IPS displays.
	High-definition RDL positive photoresist for packaging	High-precision process that can be used in advanced packaging, with advantages such as thinning and low power consumption.
	High heat-resistant interlayer insulating film	For reflective panels (such as outdoor panels); has characteristics of high density, high sensitivity and high heat resistance.
	RDL positive thick film photoresist for packaging	Used in the RDL process of semiconductor packaging; has high sensitivity characteristics.
	Microlens array photoresist	With characteristics including high transparency and high heat resistance and the ability to be spherically concentrated, can be applied in under-screen fingerprint recognition image sensors.
	Alignment film heavy industry	Reuse alignment film waste liquid produced by customers' processes.

## 1.2 Business Plan for 2022

### 1.2.1 Business objectives

Sustainability is the primary goal of CHIMEI, and climate issues such as global warming and carbon emissions have also become major variables in corporate operations. This is especially true among petrochemical, steel, cement, and other high carbon emission industries. Therefore, CHIMEI hopes to establish a complete institutional system, set world-standard carbon reduction goals, expand the use of green energy, build an operating system for international manufacturers, cooperate in joint carbon reduction in the supply chain and so on to implement sound corporate governance, thereby providing a solid foundation for CHIMEI's operations. As CHIMEI actively confronts environmental issues in 2022, it will be necessary to more accurately grasp the changes

in raw material supply and market demand. Production and sales operations are still focused on inventory control, logistics planning, and production capacity adjustment, and are expected to be stable and successful. CHIMEI was also set to join in the commitments of the "Science Based Targets initiative (SBTi)" by the end of 2021 to take on the "2050 Net Zero Emissions" target. Furthermore, we challenged to propose short-term (2030) and long-term (2050) carbon reduction pathways within one year.

### 1.2.2 Operating principle and production and sale policy

Under the new brand spirit of "A Step Up," we shall continue to promote the responsibility of safe production and practice sustainable operations, which will be reflected in relevant carbon reduction issues and corporate governance; and we shall set international certifiable standards and implement them in practice. In respect to our production and marketing policies, and in the face of climate change and shifting geopolitics, we shall strengthen supply chain management, and quickly and flexibly dispatch production capacity in the three cross-Strait regions. We will continue to work hard on the deployment of high-value products and on the market development of brand customers, and shall further develop towards the development of various types of low-carbon products under the circular economy. These efforts shall be aimed at deploying future products with net zero carbon emission requirements in advance.

## 1.3 Future Development Strategies

1. Sustainable development to be the primary focus on the operational side:

- **Clean and Green** : From product, process, and plants and extending to partners; co-creating the vision of Clean and Green. Continuing to invest in green environment to fulfill our corporate social responsibility, doing our part for a sustainable planet.
- **Corporate Governance** : Ethical management is the main focus. In addition to internal implementation and supervision, we further strengthen the consensus of suppliers and customers regarding ethical management.
- **Social Benefactor** : We continue to invest resources in the fields of art and medicine and expand social care, helping charities for the disadvantaged and expanding the influence of the enterprise to fulfill our corporate social responsibility.
- **Global Perspective** : Creating a safe, secure and trustworthy workplace environment; paying attention to global technological evolution and competitive trends; consolidating the consensus goal of globalization; comprehensively improving the functions of employees; strengthening process efficiency, knowledge sharing, and experience. Adhering to the shared culture of CHIMEI, we have established a mutually beneficial welfare system for labor and management and pursue work-life balance.

2. On the product side, we continue to focus on client-side innovation<sup>TM</sup> and integrate elements of sustainable management:

- Circular Economy: Strengthening research on recycled materials, introducing to products and customers.
- Green Materials: Development and promotion of low-residue monomer products; helping customers in the application development and promotion of low-carbon products such as high transmittance photoresist, wear-resistant rubber, and so on. This constitutes an important part of future friendly and green materials, and the application field should be expanded on an existing basis.
- Continuous development and improvement of high-value products; in particular, the application of emerging industries should be emphasized such as 5G, electric vehicles, medical care, and energy storage.
- The application range of composite materials is wide, and the sales volume of 150,000 tons is targeted on the existing basis.

## 1.4 Impact of External Competition, Regulatory Environment and Overall Operational Environment

CHIMEI must undoubtedly face the challenge of various international green regulatory requirements brought about by the issue of climate change, coupled with the intensification of geopolitical influence on the global economy. In recent years, however, we have actively deployed in the norms and related systems of sustainable development in addition to continuously improving process improvement capabilities and product quality and making continuous investments in research and development. At the same time, we have met international standards in terms of our deepening of industrial safety awareness, green energy planning and implementation, digital transformation, information security certification, and bribery prevention. Given our adequate preparations to face the ESG business requirements of international manufacturers and with the steady operations of Group in recent years, we are confident that we can continue to move forward steadily.

Our corporate culture of "Aggressive, Accurate, Stable, and Curious" continues to be internalized in CHIMEI's new brand spirit of "A Step Up," which enables us to respond to emergencies with the most flexible management and adaptability and innovative thinking. At the same time, we persist in the concept of sustainable management and using what we take from society for the betterment of society. We continue to do our utmost to reduce global carbon dioxide and create a sustainable environment.

Finally, best wishes to you all!

Chairman HSU, CHUN-HUA



# 2

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## Corporate Overview

2.1 Date of Incorporation

2.2 Corporate Profile

## 2. Corporate Overview

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### 2.1 Date of Incorporation : January 11, 1960.

### 2.2 Corporate Profile

#### 2.2.1 2021:

1. On May 17, 2021, the shareholders' meeting approved the plan of restricted employee new shares. On November 16, 2021, the board resolved to issue 30,000 thousand common shares at the par value, for a total of NT\$300,000 thousand. The capital increase base date is December 29, 2021, and the change registration was completed on January 20, 2022.
2. With the business strategy of focusing on its own business, all shares of a non-core reinvestee, Innolux Corporation were disposed of. The Company no longer holds any equity in Innolux.

#### 2.2.2 2022 (As of the date of this annual report) :

1. Increase the cash capital increase in the indirect reinvestee, "Zhenjiang CHIMEI Chemical Co., Ltd." in China, for a total of US\$2,784 thousand, and the cumulative shareholding percentage remains at 69.60%.



# 3

## Corporate Governance

- 3.1 Organization
- 3.2 Directors, Supervisors and Management Team
- 3.3 Remuneration of Directors, Supervisors, President, and Vice Presidents
- 3.4 Corporate Governance
- 3.5 Audit Fees
- 3.6 Disclosure of Change of Auditors
- 3.7 Disclosure of the Company's chairman, president, chief financial officer or chief accounting officer who has held a position at the Company's independent certified public accounting firm or its affiliates within the last year
- 3.8 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders
- 3.9 Relationship among The Company's top ten shareholders including spouses, second degree relatives or closer, or any person defined under Statement of Financial Accounting Principle No.6 – "Related parties"
- 3.10 Share Ownership in Affiliates





### 3.1.2 Function of Each Division

Division		Function
Manufacturing Head Division	Energy and Resources Management Division	Environmental business, Production of steam supply, Raw material management and operation
	Manufacturing Division I~V	Production of plasticized products such as PMMA, SA, PS, AS, BP, ABS, PBL, LBR, MS and PC, Administrative tasks, Product process development and improvement and plant safety audit and other related matters
Operation Head Division	Procurement Division	Raw material, Machinery and equipment, Procurement of service supplies and machinery and equipment, Construction contract and the management of work materials and other related matters
	Sales Division	Products marketing, planning, technical services, new customer development and other matters in domestic, foreign and China. The company's product production and marketing, coordination and other matters
	Logistics Division	Product packaging, warehousing, transportation and import and export business
Specialty Chemicals Business Unit		Production of electronic chemicals, Electronic chemical raw materials and finished product inventory management, Marketing and electronic chemicals new product research, development and patent and certification related matters
Engineering and Maintenance Head Division		Power, instrumentation, steam, machinery and equipment and pipelines and other maintenance, maintenance operations operation and management and plant expansion and public facilities expansion and maintenance matters
Research and Development Head Division		Research and development of new materials and products, Research data collection and application, Patents and certification, analytical inspection, quality management and other related matters
Administration Head Division	Information Technology Division	Information hardware and software network and other service functions, Database maintenance, Enterprise application system development and maintenance, New information technology import and information security maintenance
	Finance and Accounting Division	Financial scheduling, Accounting and stock processing, Review the budget and compile, Calculation and analysis of production costs, Management of fixed assets, Provide management information
	Administration and Human Resource Division	Evaluation of internal resource application and human resources, staff education and training, paperwork, affairs management, public relations and employee welfare
	Legal Department	Legal matters review, contract management
	Corporate Communications Department	Public relations and brand management
Internal Audit Office		Investigate, assess the lack of internal control system and measure the efficiency of operations, and provide suggestions for improvement.
System Management Department		Document control and internal audits of ISO, OHSAS and TOSHMS
Risk Management Division		Industrial safety and health management and other related matters



3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

A. Information Regarding Directors and Supervisors

As of 4/20/2022

Title	Nationality	Name	Gender	Term (Yr.)	Date Elected	Date (First Elected)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education/ Work experience	Selected Current Positions at CMC and Other Companies	Managers, Directors and Supervisors are Spouse or Consanguinity Each Other			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Republic of China	HSU, CHUN-HUA	Male 71~80 years old	3 years	2020.05.18	2001.04.01	1,049,228	0.06	1,049,228	0.06	744,223	0.04	-	-	college degree Vice President of CHIMEI CORPORATION	Representative of CHIMEI Industrial(H,K) Ltd. Director of CHILIN Technology Co., Ltd. Director of CHI MEI TRADING CO., LTD. Director of Chi Mei Medical Center				
Director	Republic of China	TAI CHI INVESTMENT CORPORATION		3 years	2020.05.18	2001.04.01	292,162,910	16.32	286,162,910	15.73	-	-	-	-						
Director	Republic of China	Representative: SHI, WEN-LONG	Male 91~100 years old	3 years	2020.05.18				-	-	-	-	-	-	high school degree Chairman of CHIMEI CORPORATION Chairman of POLY CHEMICAL CO., LTD. Chairman of CHIMEI-ASHI corporation	Chairman of CHIMEI CULTURE FOUNDATION Chairman of Chi Mei Medical Center Director of CHILIN Technology Co., Ltd. Director of CHI MEI FROZEN FOOD CO., LTD. Director of CHI MEI TRADING CO., LTD.	Director	LIAO, CHING-SIANG	Second-class relatives in law	
Director	Republic of China	Representative: LIAO, CHING-SIANG	Male 81~90 years old	3 years	2020.05.18					1.34	-	-	-	-	high school degree Chairman of CHIMEI CORPORATION Chairman of CHILIN Technology Co., Ltd. Chairman of BAOREN Technology Engineering Co., Ltd. Chairman of Chi Mei Material Technology Corporation	Director of CHIMEI MUSEUM FOUNDATION Director of CHIMEI CULTURE FOUNDATION CORPORATION Director of CHI MEI FROZEN FOOD CO., LTD. Vice Chairman of Chi Mei Medical Center	Director	SHI, WEN-LONG	Second-class relatives in law	
Director	Republic of China	CHAO, LIN-YU	Male 51~60 years old	3 years	2020.05.18	2007.05.17	13,200,333	0.74	13,209,333	0.73	6,698,588	0.37	-	-	master's degree Chairman of CHILIN Technology Co., Ltd. Chairman of BAOREN Technology Engineering Co., Ltd.	President of CHIMEI CORPORATION Representative of JUMPING HOLDING CO., LTD. Representative of Jentra Investment Co., Ltd. Chairman of Zhejiang CHIMEI Chemical Co., Ltd. Chairman of CHIMEI Green Energy Corp. Director of CHIMEI Industrial(H,K) Ltd. Director of CHILIN Technology Co., Ltd.	Director	IAO, CHIEN-JEN	Brother	
Director	Republic of China	LIN, CHING-SHENG	Male 61~70 years old	3 years	2020.05.18	2011.05.16	922,742	0.05	922,742	0.05	4,905,815	0.27	-	-	college degree Vice President of CHIMEI CORPORATION Chairman of Neogen Mediatech Inc.	Director of Neogen Mediatech Inc.				
Director	Republic of China	SOONG, KOUNG-FU	Male 71~80 years old	3 years	2020.05.18	2011.05.16	1,684,093	0.09	1,684,093	0.09	-	-	-	-	college degree Supervisor of CHIMEI CORPORATION Chairman of CHILIN Technology Co., Ltd.	Chairman of CHI MEI FROZEN FOOD CO., LTD. Chairman of TAI CHI INVESTMENT CORPORATION Director of CHI MEI TRADING CO., LTD.	Director	LIAO, CHING-SIANG	Second-class relatives in law	

As of 4/20/2022

Title	Nationality	Name	Gender	Term (Yr)	Date Elected	Date (First Elected)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education/ Work experience	Selected Current Positions at CXC and Other Companies	Managers, Directors and Supervisors are Spouse or within 2 Degrees of Consanguinity Each Other			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Republic of China	SHI, CHIA-CHANG	Male 51~60 years old	3 years	2020.05.18	2013.07.29	58,124,510	3.25	58,024,510	3.19	433,642	0.02	—	—	University of Oregon, USA	Chairman of Nexgen Mediatech Inc. Chairman of CMS Technology Inc. Director of Mirai Lifestyle Inc.	Director	SHI, WEN-LONG	Father and son	
Director	Republic of China	JAO, CHIEN-JEN	Male 61~70 years old	3 years	2020.05.18	2017.05.15	11,168,341	0.62	8,068,341	0.44	5,920,820	0.33	—	—	master's degree	Vice President of CHIMEI CORPORATION Chairman of CHILIN Technology Co., Ltd. Chairman of Zhangzhou CHIMEI Chemical Co., Ltd. Director of Zhenjiang CHIMEI Chemical Co., Ltd. Director of Nexgen Mediatech Inc. Supervisor of YACHI INVESTMENT CORPORATION	Director	CHAO, LIN-YU	Brother	
Supervisor	Republic of China	YUE LI INVESTMENT CO., LTD.		3 years	2020.05.18	2011.05.16	22,076,798	1.23	22,076,798	1.21	—	—	—	—						
	Republic of China	Representative: WU UENG CHUN	Male 61~70 years old	3 years	2020.05.18				3,537,860	0.19	—	—	—	—	high school degree	Chairman of YUE LI INVESTMENT CO., LTD. Director of CHI MEI FROZEN FOOD CO.,LTD. Director of Chi Mei Medical Center				
Supervisor	Republic of China	LIN, JUNG-CHUN	Male 71~80 years old	3 years	2020.05.18	2017.05.15	343,390	0.02	343,390	0.02	—	—	—	—	college degree Vice President of CHIMEI CORPORATION	Chairman of LINKUNGAIR DEVELOPMENT CO., LTD. Director of CHIMEI CULTURE FOUNDATION Director of CHIMEI MUSEUM FOUNDATION Director of CHIMEI Industrial(HK) Ltd. Director of TACHI INVESTMENT CORPORATION Supervisor of CHI MEI FROZEN FOOD CO.,LTD. Supervisor of Nexgen Mediatech Inc.				

Note : Mitsubishi Chemical Corporation was resigned director and juristic person shareholder on April 1, 2022.

## B. Major shareholders of the institutional shareholders

As of 4/20/2022

Name of Institutional Shareholders	Major Shareholders
TAICHI INVESTMENT CORPORATION	RIOSELECTA INVESTMENT LIMITED (18.62%)、CHIMEI CORPORATION (15.11%)、NUOH LI INVESTMENT CO., LTD. (7.67%)、HAN FENG INVESTMENT CORPORATION (3.94%)、YUE LI INVESTMENT CO., LTD. (3.92%)、ANJESCO INVESTMENT COMPANY LIMITED (3.09%)、LI MENG INVESTMENT COMPANY LIMITED (3.06%)、SHYANG YEUN INVESTMENT CO., LTD (3.00%)、CHING YANG INVESTMENT CO., LTD. (2.86%)、SHIANG YU INVESTMENT COMPANY LIMITED (2.33%)
YUE LI INVESTMENT CO., LTD.	WU I TSE (48.01%)、WU UENG CHUN (21.22%)、WU I CHIEH (23.37%)、WANG PEI CHU (7.40%)

## C. Major shareholders of the Company's major institutional shareholders

As of 4/20/2022

Name of Institutional Shareholders	Major Shareholders
RIOSELECTA INVESTMENT LIMITED	SHI, CHIA-CHANG (62.26%)、SHI, I-SE (25.00%)、CHIN HUI SHI (6.37%)、CHIA HUI SHI (6.37%)
CHIMEI CORPORATION	TAICHI INVESTMENT CORPORATION (15.73%)、Mitsubishi Chemical Corporation (8.14%)、CHIMEI CULTURE FOUNDATION (3.91%)、SHI, CHIA-CHANG (3.19%)、THE WEN LONG CULTURAL FOUNDATION (2.55%)、NUOH LI INVESTMENT CO., LTD. (2.12%)、YEH MI INVESTMENT CO., LTD (1.76%)、SHYANG YEUN INVESTMENT CO., LTD (1.59%)、SAN-FANG INVESTMENT CO., LTD. (1.56%)、CHING YANG INVESTMENT CO., LTD. (1.53%)
NUOH LI INVESTMENT CO., LTD.	ZHONG MING FINANCE LIMITED(99.97%)、HUI CHEN CHEN(0.03%)
HAN FENG INVESTMENT CORPORATION	YUN DING INVESTMENT CORPORATION (27.00%)、DA JENG INVESTMENT CO.,LTD. (27.00%)、YUN ZUAN CORPORATION (27.00%)、HUANG,PAI-HSUAN (19.00%)
ANJESCO INVESTMENT COMPANY LIMITED	SOONG, KOUNG-FU (30.10%)、FINE JADE VENTURES LIMITED(69.90%)
LI MENG INVESTMENT COMPANY LIMITED	GAIA SPRING INTERNATIONAL LIMITED(100%)
SHYANG YEUN INVESTMENT CO., LTD	CHOOSE RIGHT FINANCE LIMITED(99.96%)、HUI CHEN CHEN(0.04%)
CHING YANG INVESTMENT CO., LTD.	SUZULAN LLC(100%)
SHIANG YU INVESTMENT COMPANY LIMITED	ABUNDANT HARVEST GLOBAL LIMITED (100%)

## D. Professional qualifications and independence analysis of directors and supervisors

Qualification Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
HSU, CHUN-HUA	Management of petrochemical and optoelectronic industries	Not applicable	None
SHI, WEN-LONG	Founder of the company	Not applicable	None
LIAO, CHING-SIANG	Management of petrochemical and optoelectronic industries	Not applicable	None
CHAO, LIN-YU	Operation management of petrochemical industry, procurement management of optoelectronic industry	Not applicable	None
SOONG, KOUNG-FU	Operation management of optoelectronic and food industry	Not applicable	None
LIN, CHING-SHENG	Administration of Petrochemical Industry	Not applicable	None
SHI, CHIA-CHANG	Brand marketing, operation management of home appliance industry	Not applicable	None
JAO, CHIEN-JEN	Petrochemical industry operation and sales management	Not applicable	None
LIN, JUNG-CHUN	Accounting and administrative management, development planning	Not applicable	None
WU UENG CHUN	Enterprise operation management, construction and interior design and decoration	Not applicable	None

## E. Diversity and independence of the Board of Directors

- (1) Diversity of the Board of Directors: The Board of Directors of the Company has a diverse composition. The directors have different expertise in different fields, which is beneficial to the Company's operations and development.
- (2) Independence of the Board of Directors: The Company does not have independent directors. None of the circumstances are present for the Board of Directors as stipulated in paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act such that there is a spousal relationship or family relationship within the second degree of kinship among directors, among supervisors, or between directors and supervisors.

## 3.2.2 Management Team

As of 4/20/2022

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education/ Work experience	Selected Current Positions at OMC and Other Companies	Managers are Spouse or within 2 Degrees of Consanguinity Each Other			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	Republic of China	CHAO, LIN-YU	Male	2009.04.01	13,209,333	0.73	6,698,588	0.37	—	—	master's degree	Representative of JUPING HOLDING CO., LTD. Representative of Jentra Investment Co., Ltd. Chairman of Zhenjiang CHIMEI Chemical Co., Ltd. Chairman of Zhenjiang Green Energy Corp. Director of CHIMEI Technology (H.K.) Ltd. Director of CHILIN Technology Co., Ltd.	Vice President	JAO, CHIEN-JEN	Brother	
Vice President	Republic of China	LEE, CHIEN-HSIN	Male	2011.01.01	343,471	0.02	102,000	0.01	—	—	college degree					
Vice President	Republic of China	JAO, CHIEN-JEN	Male	2011.01.01	8,068,341	0.44	5,920,820	0.33	—	—	master's degree	Chairman of CHILIN Technology Co., Ltd. Chairman of Zhenjiang CHIMEI Chemical Co., Ltd. Director of Zhenjiang CHIMEI Chemical Co., Ltd. Director of Nexgen Mediatech Inc. Supervisor of TALOHI INVESTMENT CORPORATION*	President	CHAO, LIN-YU	Brother	
Vice President	Republic of China	HSUEH, TUNG-PI	Male	2011.01.01	253,693	0.01	96,478	0.01	—	—	master's degree					
Vice President	Republic of China	HUNG, LIANG-I	Male	2012.04.01	439,205	0.02	—	—	—	—	college degree	President and Director of Zhenjiang CHIMEI Chemical Co., Ltd. Director of Zhenjiang CHIMEI Chemical Co., Ltd. Director of Lin Shire Engineering Plastics(Suzhou)-Co.,Ltd.				
Vice President	Republic of China	CHU, HSIN-HSUEH	Male	2016.01.01	657,002	0.04	—	—	—	—	college degree	President of CHIMEI Green Energy Corp.				
Vice President	Republic of China	SU, YAO-TSUNG	Male	2012.04.01	649,501	0.04	—	—	—	—	college degree	President and Director of Zhenjiang CHIMEI Chemical Co., Ltd. Director of Zhenjiang CHIMEI Chemical Co., Ltd.				
Vice President (Director of Finance and Accounting Group)	Republic of China	CHEN, SHIH-HSIEN	Male	2018.01.01	519,002	0.03	20,000	—	—	—	college degree	Supervisor of CHILIN Technology Co., Ltd.				
Vice President	Republic of China	WANG, YAO-CHING	Male	2018.01.01	570,002	0.03	1,000	—	—	—	college degree	Director of Zhenjiang CHIMEI Chemical Co., Ltd.				
Vice President	Republic of China	SHENG, PEI-HUA	Male	2020.01.01	413,760	0.02	252,241	0.01	—	—	master's degree					
Vice President	Republic of China	CHEN, LIEN-CHEN	Male	2022.01.01	195,000	0.01	394,001	0.02	—	—	master's degree					
Associate Vice President	Republic of China	TSAI, MING-CHI	Male	2012.04.01	340,278	0.02	—	—	—	—	college degree					
Associate Vice President	Republic of China	LIU, HUA-CHIN	Male	2014.01.01	443,579	0.02	—	—	—	—	college degree					
Associate Vice President	Republic of China	HSU, CHUAN-CHENG	Male	2020.01.01	363,668	0.02	50,000	—	—	—	college degree					
Associate Vice President	Republic of China	HSIEH, WEN-CHI	Male	2021.01.01	583,401	0.03	—	—	—	—	college degree					
Associate Vice President	Republic of China	CHEN, MING LIANG	Male	2022.01.01	496,834	0.03	—	—	—	—	college degree					
Associate Vice President	Republic of China	KUO, MING-CHOU	Male	2022.01.01	396,401	0.02	—	—	—	—	master's degree					

### 3.3 Remuneration of Directors, Supervisors, President, and Vice Presidents

#### 3.3.1 Remuneration of Directors and Independent Directors

Unit: NT\$ thousands/thousand shares/%																		
Title	Name	Total Director Remuneration				Summation of A, B, C, and D as a % of After-Tax Income		Compensation to Directors Also Serving as Company Employees				Summation of A, B, C, D, E, F and G as a % of After-Tax Income				Compensation from Affiliates Other than Subsidiaries		
		Remuneration (A)	Pensions (B)	Earnings Distribution (C)		Business Expenses (D)		Salary, Bonuses, and Special Allowance (E)	Pensions (F)	Earnings Distribution (G)		From All Consolidated Entities	From CMC	From All Consolidated Entities				
				From All Consolidated Entities	From CMC	From All Consolidated Entities	From CMC			From CMC	Stock (fair Market Value)				Cash		Stock (fair Market Value)	
Chairman	HSU, CHUN-HUA																	
	TAI CHI INVESTMENT CORPORATION Representative: SHI, WEN-LONG																	
	TAI CHI INVESTMENT CORPORATION Representative: LIAO, CHING-SIANG																	
	CHAO, LIN-YU																	
Director	LIN, CHING-SHENG	7,946	—	90	2,430	2,460	0.05	14,527	16,545	—	416	—	416	—	0.12	0.13		None
	SOONG, KOUNG-FU																	
	SHI, CHIA-CHANG																	
	JAO, CHIEN-JEN																	
	Mitsubishi Chemical Corporation Representative: Masayuki Waga																	

## Range of remuneration for directors

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	SHI, WEN-LONG, LIAO, CHING-SIANG, CHAO, LIN-YU, LIN, CHING-SHENG, SHI, CHIA-CHANG, JAO, CHIEN-JEN, SOONG, KOUNG-FU, Masayuki Waga	SHI, WEN-LONG, LIAO, CHING-SIANG, CHAO, LIN-YU, LIN, CHING-SHENG, SHI, CHIA-CHANG, JAO, CHIEN-JEN, SOONG, KOUNG-FU, Masayuki Waga	SHI, WEN-LONG, LIAO, CHING-SIANG, LIN, CHING-SHENG, SOONG, KOUNG-FU, Masayuki Waga	SHI, WEN-LONG, LIAO, CHING-SIANG, LIN, CHING-SHENG, SOONG, KOUNG-FU, Masayuki Waga
NT\$ 1,000,000 (inclusive) ~NT\$ 2,000,000	—	—	SHI, CHIA-CHANG	SHI, CHIA-CHANG
NT\$ 2,000,000 (inclusive) ~NT\$ 3,500,000	—	—	—	—
NT\$ 3,500,000 (inclusive) ~NT\$ 5,000,000	—	—	JAO, CHIEN-JEN	JAO, CHIEN-JEN
NT\$ 5,000,000 (inclusive) ~NT\$ 10,000,000	—	—	—	—
NT\$ 10,000,000 (inclusive) ~NT\$ 15,000,000	HSU, CHUN-HUA	HSU, CHUN-HUA	HSU, CHUN-HUA, CHAO, LIN-YU	HSU, CHUN-HUA, CHAO, LIN-YU
NT\$ 15,000,000 (inclusive) ~NT\$ 30,000,000	—	—	—	—
NT\$ 30,000,000 (inclusive) ~NT\$ 50,000,000	—	—	—	—
NT\$ 50,000,000 (inclusive) ~NT\$ 100,000,000	—	—	—	—
More than NT\$ 100,000,000	—	—	—	—
Total	9	9	9	9

### 3.3.2 Remuneration of Supervisors

As of 12/31/2021  
Unit: NT\$ thousands/%

Title	Name	Total Supervisor Remuneration						Summation of A, B, and C as a % of After-tax Income		Compensation from Affiliates Other than Subsidiaries
		Remuneration(A)		Earnings Distribution(B)		Business Expenses (C)				
		From CMC	From All Consolidated Entities	From CMC	From All Consolidated Entities	From CMC	From All Consolidated Entities	From CMC	From All Consolidated Entities	
Supervisor	YUE LI INVESTMENT CO., LTD. Representative:WU UENG CHUN	—	—	20	20	—	—	0.00	0.00	None
Supervisor	LIN, JUNG-CHUN									

### Range of remuneration for supervisors

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	LIN, JUNG-CHUN, WU UENG CHUN	LIN, JUNG-CHUN, WU UENG CHUN
NT\$ 1,000,000 (inclusive) ~NT\$ 2,000,000	—	—
NT\$ 2,000,000 (inclusive) ~NT\$ 3,500,000	—	—
NT\$ 3,500,000 (inclusive) ~NT\$ 5,000,000	—	—
NT\$ 5,000,000 (inclusive) ~NT\$ 10,000,000	—	—
NT\$ 10,000,000 (inclusive) ~NT\$ 15,000,000	—	—
NT\$ 15,000,000 (inclusive) ~NT\$ 30,000,000	—	—
NT\$ 30,000,000 (inclusive) ~NT\$ 50,000,000	—	—
NT\$ 50,000,000 (inclusive) ~NT\$ 100,000,000	—	—
More than NT\$ 100,000,000	—	—
Total	2	2



### 3.3.3 Remuneration of the President and Vice Presidents

As of 12/31/2021  
Unit: NT\$ thousands/%

Title	Name	Salary (A)		Pensions (B)		Bonus and Special Allowance (C)		Company Earnings Distribution to Employees (D)				Summation of A, B, C, and D as a % of After-Tax Income		Compensation from Affiliates Other than Subsidiaries
		From CMC	From All Consolidated Entities	From CMC	From All Consolidated Entities	From CMC	From All Consolidated Entities	From CMC	From All Consolidated Entities	Cash	Stock (Fair Market Value)	From CMC	From All Consolidated Entities	
President	CHAO, LIN-YU													
	LEE, CHIEN-HSIN													
	JAO, CHIEN-JEN													
	HSUEH, TUNG-PI													
Vice President	HUNG, LIANG-I	21,094	21,094	—	—	67,024	67,024	1,971	—	1,971	—	0.42	0.42	None
	CHU, HSIN-HSUEH													
	SU, YAO-TSUNG													
	CHEN, SHIH-HSIEN													
	WANG, YAO-CHING													
	SHENG, PEI-HUA													

### Compensation Range Table

Range of Remuneration	Name of President and Vice Presidents	
	The company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	—	—
NT\$ 1,000,000 (inclusive) ~NT\$ 2,000,000	—	—
NT\$ 2,000,000 (inclusive) ~NT\$ 3,500,000	—	—
NT\$ 3,500,000 (inclusive) ~NT\$ 5,000,000	JAO, CHIEN-JEN	JAO, CHIEN-JEN
NT\$ 5,000,000 (inclusive) ~NT\$ 10,000,000	LEE, CHIEN-HSIN, HSUEH, TUNG-PI, CHU, HSIN-HSUEH, CHEN, SHIH-HSIEN, WANG, YAO-CHING, SHENG, PEI-HUA	LEE, CHIEN-HSIN, HSUEH, TUNG-PI, CHU, HSIN-HSUEH, CHEN, SHIH-HSIEN, WANG, YAO-CHING, SHENG, PEI-HUA
NT\$ 10,000,000 (inclusive) ~NT\$ 15,000,000	CHAO, LIN-YU, HUNG, LIANG-I, SU, YAO-TSUNG	CHAO, LIN-YU, HUNG, LIANG-I, SU, YAO-TSUNG
NT\$ 15,000,000 (inclusive) ~NT\$ 30,000,000	—	—
NT\$ 30,000,000 (inclusive) ~NT\$ 50,000,000	—	—
NT\$ 50,000,000 (inclusive) ~NT\$ 100,000,000	—	—
More than NT\$ 100,000,000	—	—
Total	10	10

### 3.3.4 Distribution of bonuses to Company management during 2021

As of 12/31/2021  
Unit: NT\$ thousands

	Title	Name	Stock (Fair Market Value)	Cash	Total	Total as a % of After-Tax Income
Executive Officers	President	CHAO, LIN-YU	—	2,889	2,889	0.01
	Vice President	LEE, CHIEN-HSIN				
	Vice President	JAO, CHIEN-JEN				
	Vice President	HSUEH, TUNG-PI				
	Vice President	HUNG, LIANG-I				
	Vice President	CHU, HSIN-HSUEH				
	Vice President	SU, YAO-TSUNG				
	Vice President (Director of Finance and Accounting Group)	CHEN, SHIH-HSIEN				
	Vice President	WANG, YAO-CHING				
	Vice President	SHENG, PEI-HUA				
	Associate Vice President	TSAI, MING-CHI				
	Associate Vice President	LIU, HUA-CHIN				
	Associate Vice President	CHEN, LIEN-CHEN				
	Associate Vice President	HSU, CHUAN-CHENG				
	Associate Vice President	HSIEH, WEN-CHI				

### 3.3.5 Comparison of Compensation for Directors, Supervisors and Managers in the Past Two Years and Compensation Policy for Directors, Supervisors and Managers

The remuneration of the directors of the Company in 2021 and 2020 accounted for less than 1% of net profit after tax, and there was no significant difference. Regarding the remuneration payment policy, it has been agreed and approved in the shareholders' meeting.

The remuneration of supervisors in 2021 and 2020 accounted for less than 0.01% of net profit after tax, and there was no significant difference. Regarding the remuneration payment policy, it has been agreed and approved in the shareholders' meeting.

The ratio of the remuneration of the general manager and the deputy general manager to net profit after tax in 2021 and 2020 is less than 1.5%, and there is no significant difference. The payment method is in accordance with the Company's employee salary payment method.

### 3.4 Corporate Governance

#### 3.4.1 Information of Board Meeting Operation

A total of 6 meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	HSU, CHUN-HUA	6	0	100	
Director	TAICHI INVESTMENT CORPORATION Representative: SHI, WEN-LONG	0	0	0	
Director	TAICHI INVESTMENT CORPORATION Representative: LIAO, CHING-SIANG	6	0	100	
Director	CHAO, LIN-YU	6	0	100	
Director	LIN, CHING-SHENG	5	0	83	
Director	SOONG, KOUNG-FU	5	0	83	
Director	SHI, CHIA-CHANG	5	0	83	
Director	JAO, CHIEN-JEN	5	1	83	
Director	Mitsubishi Chemical Corporation Representative: Masayuki	0	0	0	
supervisor	LIN, JUNG-CHUN	4	0	67	
supervisor	YUE LI INVESTMENT CO., LTD. Representative: WU UENG CHUN	1	0	17	

Other mentionable items:

- In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted:
  - Matters referred to in Article 14-3 of the Securities and Exchange Act: None.
  - Other issues opposed by independent directors or about which said directors have reservations should be recorded in writing in the meeting minutes of the Board: None.
- If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
- Enhancements to the functionality of the board of directors in the current and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency etc.), and progress of such enhancements:  
The Company has assigned an appropriate person to disclosure the operating revenue of each month and material information.
- Composition and duties of supervisors
  - Communications between supervisors and the Company's employees and shareholders(e.g. communication channels and methods, etc.): The Company has set up a mailbox, so that employees and shareholders have adequate access to the supervisors for communications.
  - Communications between supervisors and the Company's chief internal auditor and CPA(e.g. items, methods and results of the audits of corporate finance or operations, etc.):
    - The Company's internal auditor attend the board of directors to report internal auditing business. All supervisors had no opinion.
    - Supervisors communicate face-to-face or in writing with CPA from time to time.
- If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of the meetings, sessions, contents of motion, resolutions of the directors' meetings and the company's response to the supervisor's opinion should be specified: None

### 3.4.2 Audit Committee and Attendance of Supervisors at Board Meetings

1. Audit Committee: Not Applicable.
2. Attendance of Supervisors at Board Meetings: Please refer to 3.4.1 Information of Board Meeting Operation.

### 3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?		V	The Company is non-listed companies. The decision has not yet been established.	Not applicable
2. Shareholding structure & shareholders' rights				Not applicable
(1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		The Company has set an appropriate person to handle shareholders' suggestions, doubts, disputes and litigation.	
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		The appropriate person is responsible for collecting the updated information of major shareholders of those shares.	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		The Operating managers of Affiliated Corporations reports and provides the operating information during operation meeting periodically.	
(4) Does the company establish internal rules against insiders trading with undisclosed information?		V	The Company is non-listed companies and no insider trading.	
3. Composition and Responsibilities of the Board of Directors				Not applicable
(1) Does the Board develop and implement a diversified policy for the composition of its members?	V		The Board of Directors of the Company has a diverse composition. The directors have different expertise in different fields, which is beneficial to the Company's operations and development.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best- Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>	V	V	<p>The Company is non-listed companies. The decision has not yet been established.</p> <p>The Company is non-listed companies. The decision has not yet been established.</p> <p>The company conducts due diligence on a regular basis in accordance with ISO37001 specifications.</p>	
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	V		The appropriate person is responsible for handling.	Not applicable
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has established a spokesman system and e-mail dedicated to handling relevant matters, the communication channel is disclosed at the Market Observation Post System.	Not applicable
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates Agency Dept. of CTBC Bank to deal with shareholder affairs.	Not applicable

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>7. Information Disclosure</p> <p>(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?</p> <p>(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?</p>	V		<p>The appropriate person is responsible to disclose the Market Observation Post System.</p> <p>The Company has assigned an appropriate person to handle information collection and disclosure.</p> <p>The Company has established a spokesman system.</p>	Not applicable
<p>8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p>		V	<p>The Company is non-listed companies. The decision has not yet been established.</p>	Not applicable
<p>Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures: Not applicable.</p>				

### 3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee: None.

### 3.4.5 Implementation of sustainable development promotions and the deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof

Promotion item	Implementation			Deviation from Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies and causes thereof								
	Yes	No	Summary description									
I. Does the Company establish a governance structure to promote sustainable development, and set up a designated full-time (or part-time) unit to promote Sustainable Development, and the Board of Directors authorizes senior management to handle this and the Board of Directors supervises the situation?	V		<p>The Company regularly convenes business meetings of senior executives chaired by the General Manager to evaluate and formulate corresponding strategies on issues involving business risks and on climate change and sustainable development, and this is reported to the Board of Directors.</p> <p>The Company's corporate culture and brand spirit fully resonate with the direction of sustainable development of ESG (Environment, Social, and Governance), and as such the Board's supervisory framework for sustainable development of ESG also closely follows the Company's brand spirit. The philosophy of "Xingfu" upheld by the whole Company is to achieve a profound sense of happiness by making a wider contribution to society. We will do our best to contribute to society and the environment with a conscientious attitude and practical actions, and implement all aspects of ESG with the following guidelines:</p> <table><tr><th>ESG orientation</th><th>CHIMEI brand policy</th></tr><tr><td>Environment</td><td>Clean &amp; Green</td></tr><tr><td>Social</td><td>Social Benefactor</td></tr><tr><td>Governance</td><td>Global Perspective</td></tr></table>	ESG orientation	CHIMEI brand policy	Environment	Clean & Green	Social	Social Benefactor	Governance	Global Perspective	Not applicable
ESG orientation	CHIMEI brand policy											
Environment	Clean & Green											
Social	Social Benefactor											
Governance	Global Perspective											

Promotion item	Implementation			Deviation from Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies and causes thereof													
	Yes	No	Summary description														
II.Does the Company follow the principle of materiality, conduct risk assessments on environmental, social and corporate governance issues related to company operations, and formulate relevant risk management policies or strategies?	V		<p>The Company attaches great importance to the concerns of each stakeholder in sustainable development, and actively integrates with international standards. We continue to introduce sustainable international standards related to the environment, society, and corporate governance.</p> <table> <tr> <th>ESG orientation</th> <th>International standards</th> </tr> <tr> <td rowspan="3">Environment</td> <td>ISO 14001 Environmental Management</td> </tr> <tr> <td>ISO 50001 Energy Management</td> </tr> <tr> <td>ISO 14064 Greenhouse Gas Emissions Verification</td> </tr> <tr> <td rowspan="2">Social</td> <td>SA 8000 Social Accountability Management</td> </tr> <tr> <td>ISO 45001 Occupational Health and Safety Management</td> </tr> <tr> <td rowspan="3">Governance</td> <td>ISO 27001 Information Security Management (introduced in 2021)</td> </tr> <tr> <td>ISO 20400 Sustainable Procurement Guidelines (introduced in 2021)</td> </tr> <tr> <td>ISO 37001 Anti-Bribery Management (introduced in 2022)</td> </tr> </table> <p>In assessing the possible financial risks of climate change, the Company adheres to the TCFD process (Task Force on Climate-related Financial Disclosure) to collect information on climate change and energy risks and opportunities in relevant meetings. Furthermore, significant risks are identified based on a matrix comparing the severity of financial shocks with their probability of occurrence.</p>	ESG orientation	International standards	Environment	ISO 14001 Environmental Management	ISO 50001 Energy Management	ISO 14064 Greenhouse Gas Emissions Verification	Social	SA 8000 Social Accountability Management	ISO 45001 Occupational Health and Safety Management	Governance	ISO 27001 Information Security Management (introduced in 2021)	ISO 20400 Sustainable Procurement Guidelines (introduced in 2021)	ISO 37001 Anti-Bribery Management (introduced in 2022)	Not applicable
ESG orientation	International standards																
Environment	ISO 14001 Environmental Management																
	ISO 50001 Energy Management																
	ISO 14064 Greenhouse Gas Emissions Verification																
Social	SA 8000 Social Accountability Management																
	ISO 45001 Occupational Health and Safety Management																
Governance	ISO 27001 Information Security Management (introduced in 2021)																
	ISO 20400 Sustainable Procurement Guidelines (introduced in 2021)																
	ISO 37001 Anti-Bribery Management (introduced in 2022)																



Promotion item	Implementation			Deviation from Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies and causes thereof
	Yes	No	Summary description	
			<p>The Company also actively responds to international sustainability initiatives. In December 2021, we announced our participation in the "Science Based Targets initiative (SBTi)" to challenge the "2050 Net Zero Emissions" target.</p> <p>In terms of information disclosure, starting from 2021 we are actively participating in the CDP climate change ratings as a global key sustainability benchmark, as well as in the EcoVadis international sustainability platform.</p> <p>The Company also issued its "Corporate Social Responsibility Report" for the first time in November 2020, and upgraded this to our "Sustainability Report" in 2021; we will continue to issue this report every year in the future.</p>	
<p>III.Environmental Issues</p> <p>(I)Has the Company established an appropriate environmental management system based on its industry characteristics?</p>	V		<p>In order to comprehensively improve environmental quality, maintain a safe and healthy living environment, and ensure the sustainable development of the Company, we have incorporated the ISO 14001 environmental management system and it is externally reviewed by a third-party organization every year.</p>	Not applicable
<p>(II)Has the Company committed itself to improving energy efficiency and to using recycled materials with low impact on the environment?</p>	V		<p>The Company is committed to improving the utilization efficiency of resources, and to using recycled materials that have a low impact on the environmental load.</p> <p>1. The Company's energy saving and carbon reduction goals have been established via circular economy sharing sessions and the ISO50001 system. These goals will be gradually achieved by replacing old equipment with new ones, improving efficiency, integrating energy, and using natural gas.</p>	

Promotion item	Implementation			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary description	
			<p>2. We reduce waste landfill and increase our waste reuse every year through waste reduction, strengthening of waste classifications, and waste reuse measures. CHIMEI has successfully developed a method to replace a portion of the gravel in grass block pavers with bottom slag. In 2021, the recycling rate of waste will reach 98.4%. In 2022, we will formally submit a case-by-case application for reuse.</p> <p>3. The utilization rate of reclaimed water will reach 80% in 2024, reducing the use of tap water by 3.63 million tons per year (equivalent to the annual water usage of about 9,000 households).</p>  <p>4. We use Client-Side Innovation™ to actively develop low-carbon products that meet customer needs; examples include high transmittance photoresist products and plastic recycled material (PCR) specification products.</p> <p>5. We will introduce easy-to-recycle single-material packaging bags in 2021. It is estimated that up to 10,000 tons of packaging materials can be recycled every year. Starting from 2022, we will push the supply chain to practice the concept of closed-loop recycling and reuse. Previously used single-material packaging bags are to be recycled and then made into PCR packaging bags, and the carbon reduction effect of each bag can reach 24%. This was first applied to the whole product line of PCR plastics and to some PC alloy product packaging.</p>	

Promotion item	Implementation			Deviation from Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies and causes thereof
	Yes	No	Summary description	
(III) Does the Company assess the potential risks and opportunities of climate change for the Company now and in the future, and has it taken relevant countermeasures?	V		<p>Climate change has become an issue that investors and enterprises must face. The Company understands that climate change may not only cause disasters to have a direct and significant impact on operating activities, but also lead to rising raw material prices and even supply disruptions. In order to transition to a low-carbon economy, we adhere to the framework of the “Task Force on Climate-related Financial Disclosures” (TCFD) to formulate governance policies and action strategies. We further identify and analyze the major risks and opportunities involved in the organization in order to set specific carbon reduction goals, while simultaneously collecting forward-looking financial impact information to help the Company adjust its operating strategies in real time and implement and monitor carbon reduction results.</p> <ol style="list-style-type: none"> <li>1. In terms of product carbon footprint promotion, we stand as the first company in the world to follow ISO 14067 carbon footprint guidelines and ABS PCR standards, and have comprehensively identified total greenhouse gas emissions of ABS PA-757 products from raw material manufacturing and transportation to ABS processing and manufacturing. In 2022, this will be extended to the carbon footprint inventory of main products as we carry out the Company's concept of focusing on environmental sustainability with practical actions to respond to global green trends.</li> <li>2. In 2020, ground-based solar energy with installation capacity of 15MW was completed in the CHIMEI Green Energy Park; and in the following year, it was granted the "Green Leadership" award as part of the “Asia Responsible Enterprise Awards 2021.” This demonstrates how CHIMEI's long-term green and sustainable efforts have been recognized internationally.</li> </ol>	

Promotion item	Implementation			Deviation from Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies and causes thereof
	Yes	No	Summary description	
(IV) Does the Company count greenhouse gas emissions, water consumption and the volume of total waste in the past two years, and formulate policies for greenhouse gas reduction, water reduction, or other waste management?	V		<p>3. We plan to invest in a gas-electricity cogeneration plant and a solar power plant fueled by natural gas. The total carbon reduction is expected to reach 124,000 tons per year, and completion is anticipated in 2022.</p> <p>4. We engaged in voluntary participation in the international Carbon Disclosure Project (CDP) in 2021 to obtain a leadership rating of (A-), the best result in the plastics and rubber industry.</p> <p>5. In 2021, the Company reached a carbon-neutral cooperation agreement with the butadiene supplier Braskem for the transportation of imported butadiene, completing the world's first carbon-neutral transportation of butadiene. About 1,819 metric tons of carbon dioxide can be reduced.</p> <p>6. The Company also actively responds to international sustainability initiatives. In December 2021, we announced our participation in the "Science Based Targets initiative (SBTi)" to challenge the "2050 Net Zero Emissions" target.</p> <p>In accordance with ISO14001, the Environmental Management Committee of CHIMEI Corporation annually reviews environmental indicators such as greenhouse gas emissions, air pollution emissions, water consumption, waste water, and waste at each of the Company's factories; and it has established goals including: medium- and long-term carbon reduction targets of "reduction of carbon emissions by &gt;35% in 2025 and &gt;40% in 2030" compared with a base year of 2007; the utilization rate of reclaimed water attaining 80% in 2024; and &lt;1% non-recycling of waste in 2025.</p>	

Promotion item	Implementation			Deviation from Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies and causes thereof																																							
	Yes	No	Summary description																																								
			<p>1. Greenhouse gas emissions of all factories have been checked in accordance with the ISO14064 Greenhouse Gas Inventory Standard. Greenhouse gas emissions and product emission intensity in the past two years are shown in Table 1. (Unit: Tons)</p> <p>Table 1</p> <table><tr><th>Item</th><th>2019</th><th>2020</th></tr><tr><td>Direct Emissions (Scope 1)</td><td>330,940</td><td>326,128</td></tr><tr><td>Indirect Emissions from Energy (Scope 2)</td><td>324,179</td><td>299,290</td></tr><tr><td>Indirect Emissions (Scope 3)</td><td>-</td><td>3,034,838</td></tr><tr><td>Total greenhouse gas emissions</td><td>655,119</td><td>3,660,256</td></tr><tr><td>CHIMEI Corp. sales volume</td><td>1,215,315</td><td>1,183,437</td></tr><tr><td>GHG emission product intensity _excluding Scope 3 (metric tons of CO2e / metric tons)</td><td>0.54</td><td>0.53</td></tr></table> <p>Note: As of the date of publication, the latest year for verification is 2020.</p> <p>2. Statistics of water consumption in all factory areas in the past two years are shown as follows in Table 2 (unit: million liters)</p> <p>Table 2</p> <table><tr><th>Item</th><th>2020</th><th>2021</th></tr><tr><td>Surface water</td><td>69.605</td><td>74.116</td></tr><tr><td>Groundwater</td><td>4.309</td><td>0</td></tr><tr><td>Produced water</td><td>103.228</td><td>722.513</td></tr><tr><td>Tap water</td><td>4,191.863</td><td>3,852.535</td></tr><tr><td>Total</td><td>4,369.005</td><td>4,649.164</td></tr></table>	Item	2019	2020	Direct Emissions (Scope 1)	330,940	326,128	Indirect Emissions from Energy (Scope 2)	324,179	299,290	Indirect Emissions (Scope 3)	-	3,034,838	Total greenhouse gas emissions	655,119	3,660,256	CHIMEI Corp. sales volume	1,215,315	1,183,437	GHG emission product intensity _excluding Scope 3 (metric tons of CO2e / metric tons)	0.54	0.53	Item	2020	2021	Surface water	69.605	74.116	Groundwater	4.309	0	Produced water	103.228	722.513	Tap water	4,191.863	3,852.535	Total	4,369.005	4,649.164	
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Promotion item	Implementation			Deviation from Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies and causes thereof															
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			<p>3. Waste disposal status in the past two years is shown as follows in Table 3 (unit: metric tons)</p> <p style="text-align: center;">Table 3</p> <table><tr><th>Item</th><th>2020</th><th>2021</th></tr><tr><td>Hazardous waste</td><td>719</td><td>788</td></tr><tr><td>Non-hazardous waste</td><td>22,658</td><td>22,914</td></tr><tr><td>Waste gross tonnage</td><td>23,377</td><td>23,701</td></tr><tr><td>Non-recycling Reuse rate (%)</td><td>1.9</td><td>1.5</td></tr></table> <p>Note: Non-recycling rate (%) = (outsourced incineration treatment + landfill treatment) / waste gross tonnage * 100%</p>	Item	2020	2021	Hazardous waste	719	788	Non-hazardous waste	22,658	22,914	Waste gross tonnage	23,377	23,701	Non-recycling Reuse rate (%)	1.9	1.5	
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IV. Social Issues (I)Has the Company established related policies and procedures in accordance with applicable legal rules and the International Convention on Human Rights?  (II)Has the Company formulated and implemented reasonable employee welfare measures (including salary, vacation and other benefits, etc.), and appropriately reflected business performance or results in employee compensation?	V   <																		

Promotion item	Implementation			Deviation from Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies and causes thereof
	Yes	No	Summary description	
(III)Has the Company provided a safe and healthy work environment for the employees, and related education on occupational safety and health for the employees at regular intervals?	V		<p>Occupational safety and health policies</p> <p>The Company has established a safety and health policy and the core objectives of "environmental protection, safety and health, and sustainable operations," implementing the corporate social responsibility concepts of self-management and continuous improvement.</p> <p>We invest in industrial safety funds and manpower in order to ensure on-site safety and health and the physical and mental health of employees while comprehensively implementing workplace safety and health care. We also provide an optimal occupational safety and health environment and stipulate that our occupational safety and health policy is to be implemented through the safety and health management system. In 2019, we furthermore obtained the dual certification of the ISO 45001:2018 version occupational safety and health management system as well as the CNS 45001 Taiwan occupational safety and health management system. The following describes relevant occupational safety and health promotion matters for the sake of pursuing improved safety and health management performance in line with international standards while better expanding occupational safety and health actions:</p> <p>I. Occupational safety:</p> <p>1. On January 1, 2022, the Company undertook continued joint promotion of a safety partner program with the Occupational Safety and Health Administration of the Ministry of Labor. Beyond the continuation of three major cooperation projects including "Safety Intelligence," "Process Safety Management Systems" and "Contract Management Safety System Counseling," five additional dimensions were included for the sake of sustained promotion of a friendly workplace. These included "Occupational Hygiene Improvement," "Application of Artificial Intelligence in Industrial Safety," "Improvement of Road Safety in Factories," "Promotion of PSM Observation Activities and Experience Sharing," and "Strengthen Safety Culture of the Safety and Security Family."</p>	

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	Yes	No	Summary description	
			<p>2. On November 19, 2019, the Company launched the first phase of a PSM process safety management improvement plan in cooperation with the National Kaohsiung University of Science and Technology with the aim of continuously refining process safety management systems. Scholars and experts entered the factories between January 2020 and March 2020 to implement demonstration units continuous processes and batch processes to check their implementation status; and the second phase of the three-year improvement plan for PSM was to be launched in accordance with the diagnosis results (from September 2021 to August 2024).</p> <p>3. As a basis for disaster mitigation strategies, the company compiles the current year's occupational accident statistics before the end of each year and analyzes and compares it with occupational accident data of the past years and with that of the plastics product manufacturing industry. The Company's occupational accident statistics of the past three years are far lower than those of the industry. The respective comprehensive injury index (FSI) numbers of occupational accidents from 2019 to 2021 were 0.23, 0.03, and 0.04. These are better than the annual average FSI numbers of the plastics product manufacturing industry for these three consecutive years of 0.39, 0.57, and 0.54 respectively.</p> <p>4. In terms of occupational safety and health audits, the Company has formulated documents such as "Management System Audit Operation Procedures" (CMP-QA-0010) and "Environmental Safety and Health Inspection and Audit Operational Measures" (CMG-SS-0014) to standardize the relevant operation audit mechanisms. In respect to annual audit types, we integrate three audit activities encompassing ISO internal audits, environmental safety and health audits, and factory safety audits. This is done in order to ensure the correct implementation of the occupational safety and health management system, to undertake timely identification of problems and corresponding improvements, and to improve them, and to maintain the effectiveness of each item of management operations.</p>	

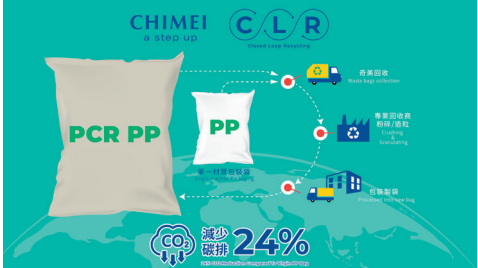


Promotion item	Implementation			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary description	
			<p>An example of the frequency of process safety management audits is as follows:</p> <ul style="list-style-type: none"> <li>① Process safety management and hazardous workplace audit (implementation cycle: 2 times per week)</li> <li>② On-site audit of process safety management (implementation cycle: 2 times per week)</li> <li>③ Contractor site safety audit (implementation cycle: 1 time per week)</li> <li>④ Transport tanker audit (implementation cycle: 1 time each month)</li> </ul> <p>5. In terms of equipment safety management, the Company's machinery and equipment management (MI) is administered by the General Office for Engineering and Materials and is responsible for the promotion of its management system in accordance with the specifications of the "Mechanical Equipment Integrity Operational Procedures" (CMP-EN-0008), ensuring the integrity of critical process equipment, machinery, and systems so that they can be properly maintained during operation and use. Beyond meeting the requirements of the requirements "Occupational Safety and Health Act" during the statutory purchase and installation planning stages for machinery and equipment, the Company has additionally formulated sourcing management systems in the form of its "Statutory Operational Measures for the Management of Hazardous Machinery and Equipment" (CMG-SS-0033) and its "Administrative Measures for Special Machinery and Equipment" (CMG-SS-0036), so as to prevent personnel from using substandard machinery, equipment or appliances and ensuring personnel work safety.</p> <p>6. The Company's safety and health education and training topics in 2021 are as follows, and the average completion rate of related courses is 98%:</p>	

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			<table><tr><th>General training topics</th><th>Number of trainees</th><th>Number of individuals who passed</th><th>Completion rate (%)</th></tr><tr><td>Chemical hazards and contingency response</td><td>2,059</td><td>1,998</td><td>97%</td></tr><tr><td>Promotion of novel coronavirus (COVID-19) pandemic prevention</td><td>2,078</td><td>2,058</td><td>99%</td></tr><tr><td>Traffic safety (4 times)</td><td>8,351</td><td>8,191</td><td>98%</td></tr><tr><td>Process safety management (5 times)</td><td>10,181</td><td>10,413</td><td>98%</td></tr><tr><td>128 security management</td><td>2,077</td><td>1,945</td><td>94%</td></tr><tr><td>Emergency response</td><td>334</td><td>334</td><td>100%</td></tr><tr><td>Total</td><td>25,080</td><td>24,939</td><td>98%</td></tr></table> <p>II. Occupational health:</p> <p>1. As for the monitoring of labor work environment, the Company conducts annual health inspections of relevant personnel for work that is particularly hazardous to health based on the results of work environment monitoring; and we implement graded health management in accordance with the "Labor Health Protection Rules." For Level 3 health management status, they will be followed up every other year. For Level 4 health management status, full-time medical staff in the factory will take the initiative to arrange on-site doctors to conduct personnel interviews, guidance and on-site visits within 2 months, and undertake follow-up tracking and control.</p>	General training topics	Number of trainees	Number of individuals who passed	Completion rate (%)	Chemical hazards and contingency response	2,059	1,998	97%	Promotion of novel coronavirus (COVID-19) pandemic prevention	2,078	2,058	99%	Traffic safety (4 times)	8,351	8,191	98%	Process safety management (5 times)	10,181	10,413	98%	128 security management	2,077	1,945	94%	Emergency response	334	334	100%	Total	25,080	24,939	98%	
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(IV)Has the Company provided effective training in career planning for employees?	V		<p>2.In terms of pandemic prevention and control, in addition to the promotion of pandemic prevention matters in accordance with the novel coronavirus pandemic prevention policies of the central authorities, the Company has also formulated our "Infectious Disease Prevention Management Measures" to implement and strengthen the pandemic prevention management system.</p> <p>1. The Company has consistently spared no effort in regard to our investments in talent cultivation, and we have actively established diverse and effective training channels so that employees can plan their personal career paths according to their intended paths of development.</p> <p>2. At the end of each year, each unit must formulate a training plan for the following year or courses to participate in. The Company will also arrange training plans based on the skills or abilities required during the development of operations. In addition to helping improve the professional ability of colleagues, this can also help them develop other knowledge and skills.</p> <p>3. Developed and constructed CHIMEI e-learning system, which not only expands learning channels and resources but also systematically plans and manages personal learning plans.</p> <p>4. Introduced the "Common Wealth Leader Campus" online learning platform to provide diverse and real-time learning information while strengthening personal competitiveness in the workplace.</p> <p>5. Influenced by the pandemic and in line with the Company's digital transformation strategy, and in addition to being offered more online courses, seed trainees and supervisors were selected to be sent to the "Taiwan Artificial Intelligence Academy" to cultivate the Company's digital talent.</p>	

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(V) Regarding issues such as customer health and safety, customer privacy, and marketing and labeling of products and services, does the Company comply with relevant regulations and international standards, and formulate relevant consumer and customer protection policies and complaint procedures?	V		<p>The Company's products have passed ISO9001, ISO14001 and ISO 45001 certification.</p> <p>The Company's e-commerce platform has formulated a "Service and Privacy Statement" to protect the rights and interests of customers in accordance with the law.</p> <p>The Company has e-mail mailboxes and business representatives responsible for dealing with the relevant issues of customer rights and interests in a fair and timely manner.</p> <p>The Company's sales representatives maintain close contact with customers, keep informed of products that meet their interests, and ensure that products meet expectations of quality and reliability.</p>	
(VI) Has the Company formulated supplier management policies, where suppliers are required to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor and their implementation?	V		<p>Before undertaking dealings, suppliers and contractors must fill out a "Social Responsibility Statement." Suppliers of raw and secondary materials must fill in an "Environmental Management System Questionnaire," and contractors shall fill in the "Contractor's Safety and Hygiene Regulations."</p> <p>In 2021, ISO20400 sustainable procurement guidelines will be introduced in order to cooperate with suppliers to solve existing social, economic and environmental problems; to reduce procurement risks and create opportunities, to improve the sustainability of the supply chain; and to achieve the purpose of sustainable management of the supply chain.</p> <p>Under the seven core themes of sustainable procurement, we have develop documents and management processes such as a sustainable procurement management manual, a sustainable procurement policy, and a supplier code of conduct.</p> <p>Among them, the short-chain revolution will be implemented in respect to green transportation, and the proportion of raw material procurement in Asia will be increased to conserve carbon emissions from transportation. Green packaging materials are divided into three parts:</p>	

Promotion item	Implementation			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and causes thereof
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			<p>1. Disposable metal containers are converted into leased and recycled metal containers to increase the reuse rate of metal containers and reduce unnecessary waste. The target will be increased to 30% in 2021, to 40% in 2022, and to over 60% in 2023.</p> <p>2. Increase the use of recyclable packaging materials, increase the utilization rate of single-material packaging bags (OPP bags, PE bags), and aim to reach 100% by 2022.</p>  <p>3. The penetration rate of plastic pallets will be 11% in 2021. The target will be increased to 30% in 2022 will exceed 40% in 2023.</p>	
V. Does the Company refer to the internationally-prepared reporting standards or guidelines, preparation of sustainability reports and other reports that disclose the Company's non-financial information? Did the preliminary report obtain the confidence or assurance opinion of the third-party verification unit?	V		<p>The Company issued its "Corporate Social Responsibility Report" for the first time in November 2020, and upgraded this to our "Sustainability Report" in 2021. This is compiled in accordance with the GRI Sustainable Reporting Guidelines and the 17 United Nations Sustainable Development Goals (SDGs); and it has been verified by the 1st application type of third-party certification unit BSI with moderate assurance level verification. This report will be continuously issued every year in the future and published on the Company's official website.</p>	Not applicable
VI. If the Company has its own sustainable development code in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe the differences between its operation and the Principles: Not applicable.				

VII. Other important information helpful to understand the implementation of the promotion of sustainable development:

#### Social participation:

1. Culture: The Company is the parent company of the CHIMEI Group. It has long supported the "CHIMEI Culture Foundation" and "CHIMEI Museum Foundation" (responsible for the operation of the CHIMEI Museum), and is committed to the promotion and education of culture and art. In order to reduce the impact of the COVID-19 pandemic, we specially sponsored the CHIMEI Museum's "Tim Walker: Wonderful Things" special exhibition in 2021 to reduce the operational burden of the museum and maintain sustainable operations.
2. Medical: The Company has long supported the development of the "CHIMEI Hospital" and its related medical system, and we have promoted the care of the local community with a full range of high-quality medical care and healthcare services. In order to reduce the impact of the COVID-19 pandemic, we specially sponsored CHIMEI Hospital in 2021 to promote pandemic prevention and maintain normal hospital operations.
3. Education:
  - (1) Elementary school science education: The Company held its second "CHIMEI Science Camp" during the summer vacation of 2020, with the participation of 230 fifth-grade students altogether coming from nine elementary schools located in the Rende and Shanhua Districts. Through the Camp's handmade building block course, teams personally built a programmable robot and visited the CHIMEI Clean & Green House to experience the use of green energy. These activities inspired the schoolchildren's interest and attention to artificial intelligence (AI), green energy technology, and environmental sustainability. In 2021, due to the impact of the COVID-19 pandemic, it was closed one time.
  - (2) AI (artificial intelligence) talent cultivation: From 2018 to 2020, the Company donated a total of NT\$30 million in three phases to the "Science & Technology Ecosystem Development Foundation" (now the Taiwan AI Academy Foundation) to promote the establishment of a "Taiwan Artificial Intelligence Academy ". In 2019, about 1,000 square meters of the Rende Xintian factory was renovated and provided to its southern branch for use free of charge, in order to accelerate the pace of southern Taiwan businesses in cultivating AI talent.
4. Charity care:
  - (1) Caring for disadvantaged children: In 2020, the Company launched its "CHIMEI 60 Pandemic Launch Public Welfare" campaign, with colleagues and the Company donating a total of NT\$1.2 million. Beneficiaries included 960 economically disadvantaged families through the South Tainan Family Support Center, and helped nearly 1,600 schoolchildren to study and live with peace of mind; and slow-flying angels of the Defending Eden Social Welfare Foundation (developmentally disabled children aged 0-6) could also grow up in a clean and safe environment free from germs. This event will continue in 2021.

- (2) Caring for local farmers: Due to the impact of the COVID-19 pandemic, the production and sales of mangoes in Tainan was greatly affected in 2021. The Company voluntarily subscribed for 10 tons of Irwin mangoes to help fruit farmers overcome these difficulties.
  - (3) Caring for schoolchildren in the community: Amid the COVID-19 pandemic, we produced and donated more than 80,000 children's masks in 2021 and distributed them to a total of 10 elementary schools in surrounding communities (including the Rende District, the Southern District, and the Shanhua District). Each schoolchild could receive a box of 30 CHIMEI limited-edition children's pandemic protection masks in order to take care of their health and safety.
  - (4) Supporting community social welfare organizations: In 2021, we cooperated with four local social welfare organizations (St. Raphael Opportunity Center, Cerebral Palsy Association, Luway Opportunity Center, and Hung-Chia Sanctuary for the Handicapped) to purchase public welfare products made by them to form a special Mid-Autumn Festival gift box. The contents are all handmade and packaged by friends with disabilities to provide them with the most substantial support.
5. Strengthening fire safety: In 2020, the Company sponsored the Tainan City Government Fire Bureau to print 12,000 fire safety calendars to promote fire safety education, and donated search and rescue kennel renovation projects to improve the search and rescue dog domestication environment and facilitate their skills training. In addition to continuing the sponsorship of the fire calendar in 2021, a special fund was donated to strengthen vehicle radio communication equipment and thereby help improve the safety of fire and disaster relief.
6. Fire and disaster relief support: In 2019, the Company signed a support agreement with the Tainan City Government Fire Department to include high-altitude turret chemical vehicles and other vehicles in the Tainan City Government Fire Department's 119 emergency dispatch system to support the Tainan City Defense Bureau's disaster relief mission and fulfill our corporate social responsibility.
- (1) Support drill: On May 24, 2021, we cooperated with the Tainan City Government Environmental Protection Bureau to participate in the national Min'an No. 7 drill (earthquake and chemical leakage disaster relief drill).
  - (2) Fire service support:
    - ① January 19-20, 2021 Regarding the fire at "Shin Shoei Enterprise Co., Ltd." at [Rende District Development 2nd and 3rd Roads], due to the proximity of the Company and insufficient fire water pressure in the security industrial zone, the commander of the fire station requested the Company open the fire-fighting pipeline of the peripheral wall of Development 1, and continuously supply fire-fighting water for a total of 32 hours and provide at least 2,500 tons of water. At the same time, a high-altitude turret chemical vehicle was dispatched for 2 days and 1 night, 2,800 liters of foam stock solution was used, and firefighters were dispatched to support a total of 10 personnel in 3 shifts, with a total support time of 20 hours.

- ② April 13, 2021 For the factory fire of Tong Ho Hsing Industrial Co., Ltd. in Gueiren District [No. 325, Section 3, Wenhua Street, Gueiren District], the Company dispatched the '32 high-altitude turret chemical truck' and two firefighters to provide support.
- ③ May 20, 2021 for the factory fire of Syn-Tech Chem. & Pharm. Co., Ltd. and Standard Chem & Pharm Co., Ltd. in Xinying District, [No. 154 Kaiyuan Road, Xinying District], the Company dispatched the '51 chemical truck' and four firefighters to provide support.
- ④ May 24, 2021 for the Detai Spring Bed factory fire in Annan District [No. 1 Keji 5th Road, Annan District], the Company dispatched the '51 chemical truck' and two firefighters to provide support.

#### Important awards in 2021:

- 1. "CHIMEI Green Energy Park" won the "Green Leadership" award as part of the "Asia Responsible Enterprise Awards 2021."
- 2. Awarded the highest honor of the "National Occupational Safety and Health Award - Enterprise Benchmark Award" by the Ministry of Labor.
- 3. Received the Occupational Safety Model Award from the Tainan City Government.
- 4. Awarded the Outstanding Unit of the Construction and Confinement Space Operation Safety Alliance by the Tainan City Government.




#### 2021 Sustainability Awards:

- 1. EcoVadis, an international sustainability rating platform, awarded us the Silver Award for Corporate Social Responsibility.
- 2. The global key sustainability indicator CDP climate change rating was affirmed with the leadership grade of "A-", which is the highest rating in the global plastics manufacturing industry. This ranked us among the top 12% of enterprises, far higher than the industry average score of "B-".





### 3.4.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
<p>1.Establishment of ethical corporate management policies and programs</p> <p>(1)Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p>	V		<p>(I) The Company has formulated the "Ethical Corporate Management Best Practice Principles", which will be implemented after a resolution of the Board of Directors is passed; and the same shall apply for amendments.</p> <p>The Company will introduce the ISO 37001 bribery prevention management system in 2021, with the whole Company falling under its scope of application. In addition, we will use the "Ethical Corporate Management Best Practice Principles" for our the bribery prevention policies, and a dedicated area for ethical management is to be set up on the internal website and external official website to disclose the "Ethical Corporate Management Best Practice Principles" and its implementation through the Plan-Do-Check-Act (PDCA) method.</p>  <p>All members of the Board of Directors and senior management have signed the "Declaration of Compliance with the Bribery Prevention Policy," promising to actively implement the "Ethical Corporate Management Best Practice Principles".</p>	Not Applicable

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?</p>	V		<p>(II) In accordance with the "Operational Procedures for Bribery Prevention Risk Assessment," the Legal Department convenes all units to carry out risk assessment operations every year. For the identified bribery risk scenarios, it determines the risk value based on likelihood, impact level, and effectiveness of control measures. In the case of medium to high bribery risk, a risk management plan should be developed and implemented.</p> <p>(III) The Company clearly stipulates operating procedures, behavior guidelines, punishments for violations, and so on in the "Ethical Corporate Management Best Practice Principles" and in the bribery prevention management system established in accordance with ISO 37001; and the annual management review meeting review the implementation status and reviews and amends the disclosure system.</p>	
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p>	V		<p>(I) The Company evaluates the ethical records of its counterparties based on the "Assessment of Supplier Bribery Risk and Operational Procedures for Due Diligence" and the "Assessment of Customer Bribery Risk and Operational Procedures for Due Diligence."</p>	Not Applicable

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V		<p>The terms of ethical management are clearly stipulated in the external standard sales contracts and standard contract terms.</p> <p>In principle, suppliers and contractors should sign the "Ethical Commitment Form."</p> <p>(II) The Deputy General Manager of the General Administration Office is assigned as top management of the Company's bribery prevention management system, and the Legal Department is authorized to act as the special unit for bribery prevention; and they regularly (at least once a year) report to the Board of Directors on the supervision and implementation of the "Ethical Management Code of Conduct" and the supervision and implementation of the bribery prevention management system.</p>	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		<p>(III) According to the "Ethical Corporate Management Best Practice Principles", if there is a risk of conflict of interest, it should be reported to the superior, and the superior should provide appropriate guidance or assist the employee to avoid it.</p> <p>In accordance with the "Assessment of Employee Bribery Risk and Operational Procedures for Due Diligence," employee bribery risk assessment and due diligence procedures should be implemented, including conflict of interest assessments, in the case of an employee being newly appointed, continuing to be appointed (applicable for periodic assessment), changing position, and being promoted. In the case of medium to high bribery risk, a risk management plan should be proposed and implemented.</p>	

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	V		(IV) According to the "Working Procedures for Internal Audit of Bribery Prevention," the Legal Department is responsible for the promotion and supervision of the internal audit of the bribery prevention management system, and an external verification agency conducts an external audit every year. The Company's "Internal Control System" is formulated and implemented with reference to the "Regulations Governing Establishment of Internal Control Systems" by Public Companies. The internal audit unit draws up an audit plan based on the risk assessment results, executes relevant audits according to its plan, and also executes ad hoc audits or entrusts accountants to conduct ad hoc audits as necessary, and reports to the supervisor and the Board of Directors.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		(V) In accordance with the "Procedures for Bribery Prevention Education and Training," the following subjects are divided into internal and external education and training: general employees, special units for bribery prevention, employees with medium and high bribery risks, internal auditors for bribery prevention, and business partners with medium and high bribery risks.	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(I) In accordance with the "Reporting and Investigation Procedures for Bribery Prevention," an internal and external reporting platform shall be established and the Legal Department and other members designated by bribery prevention management will be responsible for accepting investigations. If the members of the investigation team have independent consideration of the reported incident, they must assign another person who does not belong to the reported position or function to conduct investigation activities.	Not Applicable

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		(II) In accordance with the "Reporting and Investigation Procedures for Bribery Prevention," we have formulated investigation standard operating procedures for accepting reported matters, the follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanisms.	
(3) Does the company provide proper whistleblower protection?	V		(III) In accordance with the "Reporting and Investigation Procedures for Bribery Prevention," the Company accepts real-name and anonymous reports, keeps confidential the identity of whistleblowers and the contents of reports, and do our utmost to shield reporting members from any form of retaliation.	
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		We have set up a dedicated area for ethical management on the internal website and external official website to disclose the "Ethical Corporate Management Best Practice Principles" and promote its effectiveness.	Not Applicable
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: Not Applicable.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): None.				

### 3.4.7 Corporate Governance Guidelines and Regulations:None.

### 3.4.8 Other Important Information Regarding Corporate Governance: None.

### 3.4.9 Internal Control System Execution Status

#### A. Statement of Internal Control System

#### CHIMEI CORPORATION Statement of Internal Control System

March 29, 2022

The internal control system from January 1 to December 31, 2021, according to the result of self-assessment is thus stated as follows:

1. CMC' s Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and CMC takes immediate remedial actions in response to any identified deficiencies.
3. CMC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations" ).  
The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes several items which can be found in the Regulations.
4. CMC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, CMC believes that, on December 31, 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of CMC' s annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on March 29, 2022, with none of the attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

CHIMEI CORPORATION

Chairman: HSU, CHUN-HUA

President: CHAO, LIN-YU

- B. If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

**3.4.10 Conviction of corporate or employees' wrongdoings, Company's punishment on employee for violation of internal control, major faults and improvements during recent fiscal period and to the publish date of the annual report: None.**

**3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings**

Number	Date	Major resolutions	Item
001	20210121	<ol style="list-style-type: none"> <li>1. Approved proposal for the convening 2021 General Meeting of Shareholders.</li> <li>2. Approved related matters for accepting shareholder proposals through the 2021 General Meeting of Shareholders.</li> </ol>	Board of Directors
002	20210323	<ol style="list-style-type: none"> <li>1. Matters to be reported: <ol style="list-style-type: none"> <li>1. Derivatives transactions from January to March 2021.</li> <li>2. Implementation of repurchases of the Company's shares.</li> <li>3. Mainland China investments in 2020.</li> <li>4. The 2020 annual loans of funds to others and the handling of endorsement or provision of guarantees for others.</li> </ol> </li> <li>2. Matters for discussion: <ol style="list-style-type: none"> <li>1. Approved 2020 business report and financial statements.</li> <li>2. Approved 2020 profit distribution.</li> <li>3. Approved 2020 employee remuneration proposal and the remuneration proposal for directors and supervisors.</li> <li>4. Approved replacement of CPA auditor for the Company's financial statements.</li> <li>5. Approved provision of guarantee for subsidiary "Zhangzhou CHIMEI Co., Ltd."</li> <li>6. Approved the amendment of some provisions of the Company's "Internal Control System."</li> <li>7. Approved the amendment of some provisions of the Company's "Internal Auditing System."</li> <li>8. Approved 2020 "Statement of Internal Control System."</li> <li>9. Approved issuance of restricted employee shares.</li> <li>10. Approved amendment of some provisions of the "Company's Articles of Incorporation."</li> <li>11. Approved amendments to some provisions of the Company's "Procedures for Acquiring or Disposing of Assets."</li> <li>12. Approved amendment of some provisions of the Company's "Code of Procedures of the Board of Directors."</li> <li>13. Approved the abolition of the Company's "Regulations on Appointment of Executive Directors and Supervisors of CHIMEI Affiliated Companies," "Retirement Payment Measures for Full-time Directors and Supervisors," and "Articles of Association of the Management Committee."</li> <li>14. Approved lending of funds between subsidiaries.</li> <li>15. Approved to apply to bank for a line of credit.</li> <li>16. Approved the addition of matters to be reported and discussed at the 2021 annual General Meeting of Shareholders of the Company.</li> </ol> </li> </ol>	Board of Directors

Number	Date	Major resolutions	Item
003	20210513	1. Change the venue of the Company's 2021 General Meeting of Shareholders.	Board of Directors
004	20210517	1. 2020 annual business report. 2. Supervisor reviewed report for 2020 final statements. 3. Employee remuneration and distribution of remuneration for directors and supervisors for 2020. 4. Report on implementation of repurchases of the Company's shares. 5. Report on the status of mainland China investments. 6. Report on the amendment of the Company's "Code of Procedures of the Board of Directors." 7. Report on the Company's 2020 annual loans of funds to others and the handling of endorsement or provision of guarantees for others. 8. Approval of 2020 business report and financial statements. 9. Approved 2020 profit distribution. 10. Amended some provisions of the Company's "Articles of Incorporation." 11. The Company's issuance of restricted employee shares. 12. Amendments to some provisions of the Company's "Procedures for Acquiring or Disposing of Assets." 13. Abolition of the Company's "Regulations on Appointment of Executive Directors and Supervisors of CHIMEI Affiliated Companies."	General Meeting of Shareholders
005	20210517	1. Set the ex-dividend record date for cash dividends for 2020 earnings distribution. 2. For the bank financing case of the subsidiary "Zhangzhou CHIMEI Chemical Co., Ltd.," the Company intends to issue a letter of support. 3. Lending of funds between subsidiaries.	Board of Directors
006	20210810	1. Approved the Company's consolidated financial statements for the first half of 2021. 2. Approved the amendment of some provisions of the Company's "Internal Control System." 3. Approved the amendment of some provisions of the Company's "Internal Auditing System." 4. Approved amendment of some provisions of the Company's "Ethical Management Code of Conduct." 5. Approved to apply to bank for a line of credit. 6. Approved disposal of reinvestment in Innolux Corporation.	Board of Directors
007	20211116	1. Approved the Company's 2021 issuance of restricted employee shares. 2. Approved share repurchase and transfer to employees. 3. Approved lending of funds between subsidiaries. 4. Approved the Company's 2022 internal audit plan. 5. Approved the amendment of some provisions of the Company's "Internal Control System." 6. Approved the amendment of some provisions of the Company's "Internal Auditing System."	Board of Directors



Number	Date	Major resolutions	Item
008	20220125	<ol style="list-style-type: none"> <li>1. Approved proposal for the convening 2022 General Meeting of Shareholders.</li> <li>2. Approved related matters for accepting shareholder proposals through the 2022 General Meeting of Shareholders.</li> </ol>	Board of Directors
009	20220329	<ol style="list-style-type: none"> <li>1. Matters to be reported: <ol style="list-style-type: none"> <li>1. Derivatives transactions from November 2021 to February 2022.</li> <li>2. Implementation of repurchases of the Company's shares.</li> <li>3. Mainland China investments in 2021.</li> <li>4. The 2021 annual loans of funds to others and the handling of endorsement or provision of guarantees for others.</li> </ol> </li> <li>2. Matters for discussion: <ol style="list-style-type: none"> <li>1. Approved 2021 business report and financial statements.</li> <li>2. Approved 2021 profit distribution.</li> <li>3. Approved 2021 employee remuneration proposal and the remuneration proposal for directors and supervisors.</li> <li>4. Approved the amendment of some provisions of the Company's "Internal Control System."</li> <li>5. Approved the amendment of some provisions of the Company's "Internal Auditing System."</li> <li>6. Approved 2020 "Statement of Internal Control System."</li> <li>7. Approved amendment of some provisions of the "Company's Articles of Incorporation."</li> <li>8. Proposal of the loaning of funds between the subsidiary, CHILIN Technology Co., Ltd., to which the Company loaned funds and its subsidiary.</li> <li>9. Amendments to the relevant internal operating regulations of the subsidiaries Zhenjiang CHIMEI Chemical Co., Ltd. and Zhangzhou CHIMEI Chemical Co., Ltd.</li> <li>10. Apply a credit facility and open an account with a bank.</li> <li>11. For the bank financing case of the subsidiary "Zhangzhou CHIMEI Chemical Co., Ltd.," the Company intends to issue a letter of support.</li> <li>12. The Company plans to approve the issuance limit of 2022 unsecured ordinary corporate bonds.</li> </ol> </li> </ol>	Board of Directors

**3.4.12 Document or written statement that states different opinions by board members or supervisors against the approved major resolutions by the board meeting in recent fiscal period and to the publish date of the annual report: None.**

**3.4.13 Resignation or Dismissal of Chairman, President, and Heads of Accounting, Finance, Internal Audit, Corporate Governance Officer and R&D during 2021 and as of the Date of this Annual Report: None.**

### 3.5 Audit Fees

Unit: NT\$ thousands

Name of CPA Firm	Name of CPA	CPA's Audit Period	Audit Fee	Non-audit fee	Total	Remark
KPMG Certificated Public Accountants	Kuo, Rou-Lan	2021.01.01~ 2021.12.31	2,530	country-by-country report 1,020、 project review 450、transfer pricing report 560、	2,410	
	Lien, Shu-Ling			issuance of restricted employee rights new shares public fee 150、green Bond Assurance Report 200、other 30		

**3.5.1 If there is any change in the appointed in dependent auditors and the Company's annual auditing expenses decreased simultaneously, information regarding the amount, percentage and reasons for the decrease in auditing expenses shall be disclosed : Not Applicable.**

**3.5.2 Auditing expenses decreased by 10% in comparison to the previous year, information regarding the amount, percentage and reason for the decrease in auditing expenses shall be disclosed : Not Applicable.**

### 3.6 Disclosure of Change of Auditors

None.

**3.7 Disclosure of the Company's chairman, president, chief financial officer or chief accounting officer who has held a position at the Company's independent certified public accounting firm or its affiliates within the last year**

None.

### 3.8 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

#### 3.8.1 Recent changes:

Unit: Share

Title	Name	2021		As of Apr.20, 2022	
		Net increase (decrease) in shares held	Net increase (decrease) in shares pledged	Net increase (decrease) in shares held	Net increase (decrease) in shares pledged
Chairman	HSU, CHUN-HUA	—	—	—	—
Director and Juristic Person Shareholder and Major Shareholders Representative	TAICHI INVESTMENT CORPORATION	(6,000,000)	—	—	—
	SHI, WEN-LONG	—	—	—	—
	LIAO, CHING-SIANG	—	—	—	—
Director and President	CHAO, LIN-YU	103,000 (49,000)	—	— (45,000)	—
Director	SOONG, KOUNG-FU	—	—	—	—
Director	LIN, CHING-SHENG	—	—	—	—
Director	SHI, CHIA-CHANG	(50,000)	—	(50,000)	—
Director and Vice President	JAO, CHIEN-JEN	(50,000)	—	(3,050,000)	—
Director and Juristic Person Shareholder Representative	Mitsubishi Chemical Corporation(note)	—	—	—	—
	Masayuki Waga	—	—	—	—
Supervisor	LIN, JUNG-CHUN	—	—	—	—
Supervisor Representative	YUE LI INVESTMENT CO., LTD.	—	—	—	—
	WU UENG CHUN	—	—	—	—

Title	Name	2021		As of Apr.20, 2022	
		Net increase (decrease) in shares held	Net increase (decrease) in shares pledged	Net increase (decrease) in shares held	Net increase (decrease) in shares pledged
Vice President	LEE, CHIEN-HSIN	—	—	—	—
Vice President	HSUEH, TUNG-PI	(44,000)			
Vice President	HUNG, LIANG-I	135,000	—	—	—
Vice President	CHU, HSIN-HSUEH	93,000 (44,000)	—	—	—
Vice President	SU, YAO-TSUNG	125,000	—	—	—
Vice President (Director of Finance and Accounting Group)	CHEN, SHIH-HSIEN	93,000 (44,000)	—	—	—
Vice President	WANG, YAO-CHING	102,000 (90,000)	—	—	—
Vice President	SHENG, PEI-HUA	93,000 (45,000)	—	—	—
Vice President	CHEN, LIEN-CHEN	95,000	—	—	—
Associate Vice President	TSAI, MING-CHI	—	—	—	—
Associate Vice President	LIU, HUA-CHIN	95,000 (40,000)	—	—	—
Associate Vice President	HSU, CHUAN-CHENG	92,000 (45,000)	—	—	—
Associate Vice President	HSIEH, WEN-CHI	170,000	—	—	—
Associate Vice President	CHEN, MING LIANG	—	—	—	—
Associate Vice President	KUO, MING-CHOU	—	—	—	—

Note : Mitsubishi Chemical Corporation was resigned director and juristic person shareholder on April 1, 2022.

**3.8.2 Shares Trade:**

Unit: Share

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NT\$)
JAO, CHIEN-JEN	Gift	2022.02.23	ZHOU, ZHAO-YUAN	Couple	3,000,000	53.65
TAICHI INVESTMENT CORPORATION	Disposal	2021.06.30	CHIMEI CORPORATION		6,000,000	32.00
SHI, CHIA-CHANG	Gift	2021.02.05	CHIA HUI SHI	father and daughter	25,000	44.70
SHI, CHIA-CHANG	Gift	2022.02.23	CHIA HUI SHI	father and daughter	25,000	53.65
SHI, CHIA-CHANG	Gift	2021.02.05	CHIN HUI SHI	father and daughter	25,000	44.70
SHI, CHIA-CHANG	Gift	2022.02.23	CHIN HUI SHI	father and daughter	25,000	53.65
JAO, CHIEN-JEN	Gift	2021.02.05	JAO, YI-HANG	father and daughter	50,000	44.70
JAO, CHIEN-JEN	Gift	2022.02.23	JAO, YI-HANG	father and daughter	50,000	53.65
CHAO, LIN-YU	Gift	2021.02.05	JAO, DUO-HE	father and son	49,000	44.70
CHAO, LIN-YU	Gift	2022.02.23	JAO, DUO-HE	father and son	45,000	53.65
CHU, HSIN-HSUEH	Gift	2021.07.08	CHU, YU-JING		22,000	48.27
CHU, HSIN-HSUEH	Gift	2021.07.08	CHU, JHENG-WUN		22,000	48.27
WANG, YAO-CHING	Gift	2021.07.08	YANG, YOU-LING	Couple	45,000	0
WANG, YAO-CHING	Gift	2021.07.08	WANG, BO-YUAN		45,000	48.27
SHENG, PEI-HUA	Gift	2021.07.08	SHENG, JIE-YU		45,000	48.27
HSUEH, TUNG-PI	Gift	2021.05.18	HSUEH, YU-MING		44,000	48.98
CHEN, SHIH-HSIEN	Gift	2021.07.08	CHEN, ZI-YUN		22,000	48.27
CHEN, SHIH-HSIEN	Gift	2021.07.08	CHEN, CHIN-YAN	father and son	22,000	48.27
LIU, HUA-CHIN	Gift	2021.10.19	LIU, CHIAN-YU		30,000	51.12
LIU, HUA-CHIN	Gift	2021.10.19	LIU, CHIAN-WEI		10,000	51.12
HSU, CHUAN-CHENG	Gift	2021.07.08	HSU, HAU-YUNG		20,000	48.27
HSU, CHUAN-CHENG	Gift	2021.07.08	HSU, PEI-HSUAN		25,000	48.27

**3.8.3 Shares Pledge: None.**

### 3.9 Relationship among The Company's top ten shareholders including spouses, second degree relatives or closer, or any person defined under Statement of Financial Accounting Principle No.6 – "Related parties"

As of 4/20/2022

Unit: Share/%

Name	Shares Held		Shares Held by Spouse & Minors		Shares Held in the Name of Others		The relationship between any of the Company's Top Ten Share holders		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
TAICHI INVESTMENT CORPORATION	286,162,910	15.73%	—	—	—	—	—	—	
Mitsubishi Chemical Corporation	148,093,828	8.14%	—	—	—	—	—	—	
CHIMEI CULTURE FOUNDATION	71,201,624	3.91%	—	—	—	—	—	—	
SHI, CHIA-CHANG	58,024,510	3.19%	433,642	0.02	—	—	—	—	
THE WEN LONG CULTURAL FOUNDATION	46,476,629	2.55%	—	—	—	—	—	—	
NUOH LI INVESTMENT CO., LTD.	38,576,864	2.12%	—	—	—	—	—	—	
YEH MI INVESTMENT CO., LTD	32,074,365	1.76%	—	—	—	—	—	—	
SHYANG YEUN INVESTMENT CO., LTD	28,883,917	1.59%	—	—	—	—	—	—	
SAN-FANG INVESTMENT CO., LTD.	28,357,387	1.56%	—	—	—	—	—	—	
CHING YANG INVESTMENT CO., LTD.	27,828,492	1.53%	—	—	—	—	—	—	

### 3.10 Share Ownership in Affiliates

As of 12/31/2021

Unit: thousand shares/%

Investees accounted for under the equity method	Investments by the Company		Investments from Directors, Supervisors, Managers, and Directly or Indirectly Controlled Businesses		Total Investments	
	Shares	%	Shares	%	Shares	%
CHILIN Technology Co., Ltd.	69,609	87.01	1,283	1.60	70,892	88.61
Nexgen Mediatech Inc.	102,687	97.80	1,511	1.44	104,198	99.24
CHIMEI Industrial(H.K) Ltd.	80	100.00	—	—	80	100.00
Jumping Holding CO., Ltd	211,560	100.00	—	—	211,560	100.00
CHIMEI Green Energy Corp.	100,000	100.00	—	—	100,000	100.00
Lushun Warehouse Co., Ltd.	5,400	30.00	—	—	5,400	30.00

# 4

## Capital Overview

- 4.1 Capital and Shares
- 4.2 Corporate Bonds
- 4.3 Status of Preferred Stock, GDR, Employee Stock Option Plan, Mergers, Acquisitions, and Capital utilization plan
- 4.4 Employee Restricted Stocks

## 4. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

Unit: NT\$ thousands/thousand shares

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Sources of Capital	Remark	
		Shares	Amount	Shares	Amount		Capital Increased by Assets Other than Cash	Other
2016.09	10	1,960,000	19,600,000	1,727,965	17,279,655	Issue employee restricted stocks	—	2016/08/29 Approval Letter Chin Kuan Cheng Fa Tzu No.1050035108 on file
2017.07	10	1,960,000	19,600,000	1,761,897	17,618,976	Capital increase by retained earnings	—	
2017.09	10	1,960,000	19,600,000	1,761,540	17,615,403	Deregistering employee restricted stocks	—	
2017.10	10	1,960,000	19,600,000	1,791,540	17,915,403	Capital Increase by Cash	—	2017/09/11 Approval Letter Chin Kuan Cheng Fa Tzu No.1060034713 on file
2018.09	10	1,960,000	19,600,000	1,790,907	17,909,070	Deregistering employee restricted stocks	—	2018/10/25 Approval Letter Jin So Sun Tzu No.10701129850 on file
2019.10	10	1,960,000	19,600,000	1,789,800	17,898,001	Deregistering employee restricted stocks	—	2019/11/12 Approval Letter Jin So Sun Tzu No.10801151850 on file
2020.09	10	1,960,000	19,600,000	1,789,775	17,897,753	Deregistering employee restricted stocks	—	2020/11/12 Approval Letter Jin So Sun Tzu No.10901194460 on file
2021.12	10	1,960,000	19,600,000	1,819,775	18,197,753	Issue employee restricted stocks	—	2021/07/30 Approval Letter Chin Kuan Cheng Fa Tzu No.1100350657 on file

Share Type	Authorized Capital			Remark
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock	1,819,775	140,225	1,960,000	private entity
Total	1,819,775	140,225	1,960,000	



## 4.1.2 Status of Shareholders

As of 4/20/2022

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Treasury stock	Total
Number of Shareholders	—	2	43	3,325	22	1	3,393
Shareholding (shares)	—	22,144,509	865,770,548	758,484,503	168,492,222	4,883,501	1,819,775,283
Percentage	—	1.22%	47.57%	41.68%	9.26%	0.27%	100.00%

## 4.1.3 Shareholding Distribution Status

As of 4/20/2022

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	0	0	—
1,000 ~ 5,000	83	397,254	0.02%
5,001 ~ 10,000	36	284,850	0.02%
10,001 ~ 15,000	95	1,163,939	0.06%
15,001 ~ 20,000	55	972,919	0.05%
20,001 ~ 30,000	173	4,357,410	0.24%
30,001 ~ 40,000	206	7,203,181	0.40%
40,001 ~ 50,000	321	14,395,801	0.79%
50,001 ~ 100,000	963	68,869,076	3.78%
100,001 ~ 200,000	861	118,405,201	6.51%
200,001 ~ 400,000	335	91,885,275	5.05%
400,001 ~ 600,000	87	41,923,200	2.30%
600,001 ~ 800,000	38	26,679,896	1.47%
800,001 ~ 1,000,000	22	19,525,864	1.07%
1,000,001 or over	118	1,423,711,417	78.24%
Total	3,393	1,819,775,283	100.00%

## 4.1.4 List of Major Shareholders

As of 4/20/2022

Shareholder's Name	Shareholding	
	Shares	Percentage
TAICHI INVESTMENT CORPORATION	286,162,910	15.73%
Mitsubishi Chemical Corporation	148,093,828	8.14%
CHIMEI CULTURE FOUNDATION	71,201,624	3.91%
SHI, CHIA-CHANG	58,024,510	3.19%
THE WEN LONG CULTURAL FOUNDATION	46,476,629	2.55%
NUOH LI INVESTMENT CO., LTD.	38,576,864	2.12%
YEH MI INVESTMENT CO., LTD	32,074,365	1.76%
SHYANG YEUN INVESTMENT CO., LTD	28,883,917	1.59%
SAN-FANG INVESTMENT CO., LTD.	28,357,387	1.56%
CHING YANG INVESTMENT CO., LTD.	27,828,492	1.53%

#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items		Year	2020	2021
Market Price per Share	Highest		—	—
	Lowest		—	—
	Average		—	—
Net Value per Share	Before Distribution(Note 1)		43.97	52.29
	After Distribution(Note 1)		39.97	46.39 (Note 2)
Earnings per Share	Weighted Average Shares (thousand shares)		1,786,162	1,785,847
	Diluted Earnings Per Share		7.54	12.08
Dividends Per Share	Cash Dividends		4.0	6.0 (Note 3)
	Stock Dividends	Dividends from Retained Earnings	—	—
		Dividends from Capital Surplus	—	—
	Accumulated Undistributed Dividends		—	—
Return on Investment	Price / Earnings Ratio (Note 4)		Not applicable	Not applicable
	Price / Dividend Ratio (Note 5)		Not applicable	Not applicable
	Cash Dividend Yield Rate (Note 6)		Not applicable	Not applicable

Note 1: Net Value per Share = (Total equity - Preferred Equity - Additional paid-in Preferred Equity) ÷ Total Shares Outstanding

Note 2: Calculation of the earnings distributions for 2021 have been approved by the Board of Directors on March 29, 2022.

Note 3: The earnings distributions for 2021 have been approved by the Board of Directors on March 29, 2022.

Note 4: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 5: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 6: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

#### 4.1.6 Dividend Policy and Implementation Status

##### A. Dividend Policy

The Company has adopted a stable dividend policy for the recent two years and the current dividend distribution. By measuring the Company's future capital needs, and considering shareholders' expectations for cash inflows, the annual earnings will be distributed with full cash dividends or combined with partial share dividends.

##### B. Proposed dividend distribution in this shareholders' meeting

The 2021 earnings distribution proposal has been prepared by the board of directors as below. Upon the approval of the regular shareholders' meeting, the board of directors will determine the dividend (share) distribution base date separately.

Unit: NT\$

Item	Distribution of surplus in 2021
Shareholder Dividend - 60% in cash	10,709,350,692

#### 4.1.7 Impacts of Stock Dividends on Operation Results and EPS : Not Applicable.

#### 4.1.8 Compensation of Employees, Directors and Supervisors

##### A. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

If the Company makes a profit for the year, it shall appropriate no less than 1% as remuneration to employees and not more than one-thousandth (0.1%) as remuneration to Directors and Supervisors. However, if the Company has accumulated losses, it shall reserve the amount in advance.

The profit referred to in the preceding paragraph refers to the profit before taxation before the distribution of employee compensation and remuneration to directors and supervisors.

Employees' remuneration shall be distributed in cash or shares by resolution of the Board of Directors and reported to in the year's shareholders' meeting. The distribution shall be made to employees of the Company who meet certain criteria for subordination.

##### B. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

The estimation basis of 2021 employees, directors, and supervisors' remunerations is to recognize the actual amount of 2021 employees, directors, and supervisors' remunerations intended to pay, as the 2021 operating expense, and was approved by the resolution adopted by the board meeting on March 29, 2022. If the actual appropriation amount is different from the distribution amount resolved by the board of directors, it shall be accounted as profit or loss for the next year.

C. Distribution of Compensation of Employees, Directors and Supervisors Approved in the Board of Directors Meeting

(1) The amount of employee, and director remuneration in cash or stock distribution.

The proposed employees' remuneration this year, consists of NT\$280,840,830 in cash, and NT\$0 in shares. The directors and supervisors' remunerations are NT\$110,000.

The difference between the aforesaid amount and the estimated amount in 2021 is NT\$5,738,120, which is due to the difference between the amount resolved by the board of directors and the estimated amount.

(2) The proportion of employee remuneration amount in stock distribution in the net profit after tax in individual financial statements of this period and the total employee remuneration: None.

D. Information of 2020 Distribution of Compensation of Employees, Directors and Supervisors (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

The actual amounts distributed as employee remuneration and directors' and supervisors' remuneration were NT\$172,159,956 and NT\$110,000 respectively, which were consistent with the proposed amount of distribution approved by the Board of Directors.

#### 4.1.9 Buy-back of Treasury Stock

As of 4/20/2022

Treasury stocks: Batch Order	14 <sup>th</sup> Batch	15 <sup>th</sup> Batch
Purpose of buy-back	Transfer employees	Transfer employees
Timeframe of buy-back	Jan. 1, 2021~ Dec. 31, 2021	Jan. 1, 2022~ Dec. 31, 2022
Price range	\$31.5~33 per share	\$33.5 per share
Class, quantity of shares repurchased	6,336,617 shares	114,980 shares
Value of shares repurchased (in NT\$)	\$202,801,933	\$3,851,830
Quantity of repurchased shares as a percentage of total shares to be repurchased (%)	Not applicable	Not applicable
Shares sold/transferred	1,568,096 shares	—
Accumulated number of company shares held	4,768,521 shares	4,883,501 shares
Percentage of total company shares held (%)	0.26%	0.27%

## 4.2 Corporate Bonds

Corporate Bond Type		2018 Unsecured Corporate Bonds, Phase I
Issue date		September 26, 2018
Denomination		NT\$1,000,000
Issuing and transaction location		Not applicable
Issue price		Issue by denomination
Total price		NT\$5,000,000,000
Coupon rate		0.85%
Tenor		5 years Maturity: September 26, 2023
Guarantee agency		None
Consignee		E.SUN Commercial Bank Trust Dept.
Underwriting institution		E.SUN Commercial Bank
Certified lawyer		True Honesty International Law Offices
CPA		KPMG Certificated Public Accountants
Repayment method		Repayment in lump sum upon maturity
Outstanding principal		NT\$5,000,000,000
Terms of redemption or advance repayment		None
Restrictive clause		None
Name of credit rating agency, rating date, rating of corporate bonds		Rating agency: Taiwan Ratings Corporation Rating date: June 8, 2018 Credit rating: twAA-
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	N/A
	Issuance and conversion (exchange or subscription) method	None
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None
Transfer agent		None

## 4.3 Status of Preferred Stock, GDR, Employee Stock Option Plan, Mergers, Acquisitions, and Capital utilization plan: None.

## 4.4 Employee Restricted Stocks

### 4.4.1 In the most recent year as of the publication date of the Annual Report, the Company has completed merger or acquisition of other corporations to issue new shares:

As of 04/20/2022

Type of New Restricted Employee Shares	1 <sup>th</sup> Tranche
Date of Effective Registration	2021.07.30
Issue date	2021.12.29
Number of New Restricted Employee Shares Issued	30,000,000 shares
Issued Price (NT\$)	NT\$0
New Restricted Employee Shares as a Percentage of Shares Issued	1.65%
Vesting Conditions of New Restricted Employee Shares	<p>After the employees are granted (i.e. the capital increase base date) with the restricted employee new shares, if staying in service at the expiry of each vesting period, not violating any contractual agreements with the Company, e.g. employment agreement or working rules, and the annual personal performance appraisal is graded A or above; 80% of the original vested shares if the appraisal is graded B. Provided, the department head may give his/her discretion regarding the employee's actual work performance between the time releasing appraisal, to the vesting period, for adjusting the percentage upwardly; the maximum of 100% of the original proportion of the vested shares. After meeting the above conditions, the proportion of shares for stratification of the vesting conditions is as below:</p> <p>One full year in service: 30%  Two full years in service: 30%  Three full years in service: 40%</p>

Type of New Restricted Employee Shares	1 <sup>th</sup> Tranche
Restricted Rights of New Restricted Employee Shares	<p>I. After employees are granted new shares, and before meeting the vesting conditions, the restricted rights are as follows:</p> <p>(I) After employees are granted new shares, and before meeting the vesting conditions, the employees must not sell, pledge, assign, gift to others, setup, or dispose of the restricted employee new shares in any other way, unless in case of inheritance by the statutory heirs due to death resulted from an occupational disaster.</p> <p>(II) The rights to attend, propose, speak and vote at the shareholders' meeting shall be entrusted to the trust custodian institution for enforcement according to law.</p> <p>(III) Upon the issuance of the new restricted employee shares, the employees shall deliver the shares to the trustee institution; before meeting the vesting conditions, the employees must not request to return the restricted employee new shares from the trustee for any reason or in any way.</p> <p>II. Restrictions on shareholders' rights for share distribution (subscription) and dividends: Before the new restricted employee shares meet the vesting conditions, these shares are not entitled to share distribution (subscription) and dividends, or share subscription for cash capital increase as the original shareholders. For the employees meeting the vesting conditions between 15 days prior to the book closure date for the base date of share or dividend distribution, or share subscription, up to the right distribution date, their shares released from the restrictions are not entitled to share or dividend distribution, or share subscription.</p>
Custody Status of New Restricted Employee Shares	Under the custody of the trust institution based on the trust agreement.

Type of New Restricted Employee Shares	1 <sup>th</sup> Tranche
Measures to be Taken When Vesting Conditions are not Met	<p>When employees fail to meet the vesting conditions, or any inheritance occurs, the following shall be complied with:</p> <p>(I) After employees are granted new restricted employee shares by the Company, in case of violation of any contractual agreements with the Company, e.g. employment agreement or working rules, or the annual personal performance appraisal failed to meet the standards, the Company is entitled to retrieve and cancel their granted but not vested new restricted employee shares without compensation.</p> <p>(II) Resignation/ dismissal/ severance/ general death: For the unvested new restricted employee shares not meeting the vesting conditions, the vesting right is lost at the time of effective date/ death date, and the Company will retrieve and cancel the shares without compensation.</p> <p>(III) Those who become disabled due to occupational disasters, and resign due to inability to continue working: No matter whether the vesting conditions are met or not, they may apply to receive the shares within a month from the effective date of the resignation.</p> <p>(IV) The who deceased due to occupational accidents: No matter whether the vesting conditions are met or not, it is deemed fully vested; their legal heirs may apply to receive the shares they should inherit within one year from the date of death.</p> <p>(V) Leave without pay: For those who have been approved by the Company for leaves without pay, the right of vesting for the number of shares not meeting the vesting conditions will be restored from the date of returning to work. Provided, the seniority is suspended during the leave, and the vesting period will be deferred for the leave period.</p> <p>(VI) Retirement: For those who meet the statutory retirement requirements and retire, the new restricted employee shares failing to meet the vested conditions will lose the vesting rights from the effective date of retirement. The Company will retrieve and cancel the shares without compensation.</p>



Type of New Restricted Employee Shares	1 <sup>th</sup> Tranche
Measures to be Taken When Vesting Conditions are not Met	<p>(VII) Re-appointment:</p> <ol style="list-style-type: none"> <li>1. When an employee is transferred to an affiliate, other company or subsidiary, if he/she has not yet met the vesting conditions of the new restricted employee shares, the provision of "resignation" shall apply.</li> <li>2. The employees re-appointed to an affiliate, other company or subsidiary by the Company due to the operational requirements, their new restricted employee shares not meeting the vested conditions will not be affected by the re-appointment. However, they are still subject to the restrictions of the vesting conditions in Paragraph 2 and Paragraph 4 of the Article; and they have to continue the services in the re-appointed affiliate, other company or subsidiary. The performance appraisal will be provided by the re-appointed the Company's chairman, to decide if the vesting conditions are met.</li> </ol> <p>(VIII) If an employee terminates or rescinds the Company's authorization as an agent, their new restricted employee shares not meeting the vested conditions will be retrieved and cancelled by the Company without compensation.</p> <p>(IX) Employees or their heirs shall, pursuant to the terms of the trust agreement, receive the shares transferred by meeting the vesting conditions.</p> <p>(X) For the new restricted employee shares not meeting the vesting conditions, the Company shall retrieve these shares from the employees without compensation 15 days before the book closure date for the share dividend distribution, cash dividend distribution, or share subscription for cash capital increase, and notify the trust custodian for retrieving operation.</p>
Number of New Restricted Employee Shares that have been Redeemed or Bought Back	0 share
Number of Released New Restricted Employee Shares	0 share
Number of Unreleased New Restricted Shares	30,000,000 shares
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)	1.65%
Impact on possible dilution of shareholdings	The overall assessment is limited to dilution of the Company's earnings per share for future years and has no material impact on existing shareholders' equity.



# 5

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## Operational Highlights

- 5.1 Business Activities
  - 5.2 Market and Sales Overview
  - 5.3 Human Resources
  - 5.4 Environmental Protection Expenditure
  - 5.5 Labor Relations
  - 5.6 Important Contracts
- 
- Abstract geometric lines in red, blue, and yellow on a teal background. A red line starts at the bottom left and goes up and right. A blue line starts at the bottom left, goes up and right, then curves down and right. A yellow line starts at the top right, goes down and left, then curves down and left. A white line starts at the top right, goes down and left, then curves down and left.

## 5. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### A. Main areas of business operations

The main business of the company is the production and sales of ABS, AS, PS, MS, PMMA, PC, composite materials (including post-consumer recycled plastic), synthetic rubber, electronic materials and specialty chemicals.

##### B. Revenue distribution

Unit: ton ; NT\$ thousands

Main products	2021			
	Shipments	% of overall business	Net Revenue	% of overall business
ABS	800,271	59.3	57,564,469	59.33
AS	108,774	8.06	6,405,839	6.6
PC	168,360	12.47	12,911,343	13.31
PS	49,469	3.67	2,258,707	2.33
MS	50,311	3.73	2,727,561	2.81
PMMA	27,704	2.05	1,751,070	1.8
Electronic materials	16,063	1.19	1,165,186	1.2
Synthetic rubber	79,795	5.91	4,524,175	4.66
Composite materials (including post-consumer recycled plastic)	23,641	1.75	2,365,590	2.44
Specialty Chemicals	16,118	1.19	4,665,154	4.81
Others	9,215	0.68	691,891	0.71
Total	1,349,721	100	97,030,985	100

## C. New products development

Product Categories	New products development	Remark
ABS	(1) Development of fixed carbon ABS (2) Development of low mold stain and low shrinkage ABS	(1) Development of ABS products that are eco, energy-saving, emission-reducing and converting and utilizing carbon. (2) Development of high-precision ABS products with low shrinkage and low injection mold stain.
	(1) Improving the low-temperature impact strength of ASA (2) ASA weather-resistant high-glossy black material	(1) Building materials used in low-temperature environments. (2) Development of automotive exterior decoration materials.
	Development of MABS for transparent building blocks	Development of MABS for transparent building blocks with low fog density and good processability.
PCR	r-HIPS spec, r-PC/OBP r-PET spec	The PCR sources are extended to r-HIPS and OBP r-PET (marine waste), applied in appliances, automotive, and 5G network communication areas.
	Chemical recycled MMA to manufacture optical sheets	The PMMA waste used by consumers is recycled, decomposed and purified into MMA monomer. After the granulation via polymerization, it is fed into the pressing machine to produce the light guide plate, improving the sustainable utilization value of resources.
PCS	(1) ABS with low abnormal sound and PC/ABS specifications (2) Ultra-thin keep plate grade FR PC specification (3) Low-smoke keep plate grade FR PC/ABS specification (4) High chemical and heat resistant FR PC/PBT	(1) The low abnormal sound series is applied in the appliances and low noise electric vehicles. (2) Ultra-thin keep plate grade is applied in battery casings and bracket products. (3) Low-smoke keep plate grade is applied in extrusion parts for rail transportation. (4) FR PC/PBT is applied in charging gun products with chemical resistance requirements.
PS	Development of low-carbon and environment friendly HIPS	Natural low-carbon HIPS, which may be applied in appliances and daily necessities, with processability and impact-resistant strength.
Rubber	TPE reduces glue stuck in the reaction kettle	Mainly used in hot glue to reduce the suspensions for kettle cleaning.
	Adjusting catalyst preparation method to optimize HBR	Mainly used for tires, soles, and golf ball core.
	LBR for easier glue cutting	It is mainly used for resin modification to shorten the overall rubber dissolving operation time.
	Adsorbent recycle	It is mainly to recycle the statutory impurities absorbent in the LBR process, to reduce waste

Product Categories	New products development	Remark
PC	Improving the reactive distillation technology to produce monomers with low impurities and high yields	Produce high-quality products and reduce PC production costs.
	Optimizing polymerization and transesterification technology	Improving quality, reducing production costs and increasing output.
	High viscosity medical grade	Mainly applied in medical equipment and containers.
Electronic materials	Re-optimization of optical properties of MS light guide plates	Development of MS light guide plates with high photosynthetic capacity for displays.
Specialty Chemicals	Ultra-thick film of highly elastic transparent photoresist, ultra-fine low-dielectric, extremely low-reflection black photoresist	For VR/AR displays.
	Black photoresist of ultra-low temperature process	For flexible substrate displays.
	High sensitive microlens array photoresist	With high sensitivity, high penetration rate, and high weather resistance materials, it may be applied in vehicle distance displays and under-screen fingerprint readers.
	Ultra-thick film Photoresist	Developed for IC packaging, with high sensitivity and electroplating resistance; it may be used to make copper rods required for the bumping process or applied to panel grade packaging.
	Materials for the contrast enhancement layer	Developing water-soluble contrast enhancer films for advanced semiconductor packaging processes, particularly high-precision RDL processes.
	Color photoresist for low energy-consuming displays	Mainly applied in energy-saving display devices.
	Photo-alignment film for automotive LCD	Developing photo-alignment films for use in automotive LCD products, to cope with the challenging environment of automotive products.
	Temporary adhesive	The temporary adhesive used in the semiconductor process, with high thermal stability and chemical resistance.
	Liquid crystal polymer materials	Good dielectric properties, and applied in high-frequency communication.

### 5.1.2 Industry Overview

#### ABS

ABS (Acrylonitrile-butadiene-styrene olefin copolymer) is positioned as having balanced physical properties as well as ease of processing. Therefore, it serves as a plastic material with all-around applications widely used in home appliances, leisure goods, automobiles, 3C electronic products, daily necessities, etc. Mainland China is the primary market for ABS consumption, accounting for nearly 70% of global ABS demand. Due to the global COVID-19 pandemic continued in 2021, the demand has surged among the home appliance and leisure goods industries on the back of the development of new working styles and lifestyles, and the advent of business opportunities from a stay-at-home economy and work from home economy. This has also allowed CHIMEI to achieve great results in the application of general-purpose ABS, transparent ABS, and other products. An ice storm impacted Texas in early 2021, causing disruption of upstream and downstream supply chains in the local petrochemical industry. This increased the dependence of global ABS demand on production capacity in the Asia-Pacific region, and further increased CHIMEI's overseas market share.

Zhangzhou CHIMEI Chemical Co. stands as CHIMEI Group's newest production base, and its ABS production came online with an annual production of 450,000 tons in 2021. In order to create a new generation of energy-saving, safe and green high-performance plastic material factories, CHIMEI has invested in high-level safety design and advanced environmental protection equipment to provide high-quality and stable general-purpose ABS for the southern China market. It has also laid a solid foundation for the Group in the mainland Chinese market. CHIMEI Taiwan continues to deepen its global presence and actively expand in overseas markets including Europe, the Americas, and Southeast Asia. Furthermore, we continuing to strengthen our sales planning of special-grade ABS (heat-resistant, transparent, etc.) with high added value and aspire to become more flexible in our future ABS sales strategies.

#### PC

PC (Polycarbonate) features characteristics of transparency, high toughness, heat resistance, impact resistance, and dimensional stability, and is widely used in home appliances, household items, building materials, machinery, automobiles, and other areas. Due to its balanced product characteristics, it also has a place in the use of plastic modification. With the steady growth of the electric vehicle and 5G netcom industries, a large number of high value-added modified alloy plastic materials are expected to be used, and PC will become the key material for alloy modification.

Mainland China remains the primary market for PC consumption, accounting for nearly 50% of global demand. Due to the continuing COVID-19 pandemic in 2021, supply and demand were unbalanced in international markets. As a result, a portion of sales contributions has been transferred to regions outside of Greater China. Local PC production capacity in

mainland China has continued to expand in recent years, but overall PC supply and demand is expected to remain balanced. Following mass production at the Zhangzhou CHIMEI plant, it should provide greater flexibility for the production capacity deployment of the Group. This should also prove beneficial to the global market and the distribution of high value-added products such as alloy materials.

## **PS**

PS (Polystyrene) has long existed in the market as a product featuring ease of processing, balanced physical properties, and so on. It is a very widely used plastic raw material in the thermoplastic market. PS produced by CHIMEI is divided into GPPS (general purpose polystyrene) and HIPS (high impact polystyrene). GPPS is simply polymerized from styrene, and the product combination varies according to molecular weight and fluidity. The specifications are relatively simple, with certain transparency and toughness. It is primarily applied in building materials, food containers, packaging materials, disposable tableware, accessories, and so on. It is also used as a raw material for optical grade diffmeil users. HIPS is polymerized by adding styrene to a rubber solution, and the specifications are changed according to the proportion of rubber added. For example, general grade, board grade, flame retardant grade, high gloss grade, and so on are mainly used in applications including home appliances, electronic packaging materials, and food containers. In addition, because CHIMEI's HIPS features high gloss, strength and hardness, it is commonly used in white home appliances.

In response to market trends, CHIMEI reconfigured its Taiwan PS production line in 2020 and shifted its attention to high-value products. Furthermore, GPPS production and sales focus has been transferred to Zhenjiang CHIMEI and Zhangzhou CHIMEI. The costs of raw materials have continued to increase in recent years due to the rise of global trade protectionism and continued supply chain imbalances, port congestion, and other factors generated by the COVID-19 pandemic in 2021. PS still maintains stable demand due to its price advantage.

## **MS**

MS (Methyl methacrylate (MMA) styrene copolymer) is transparent, weather-resistant, non-toxic, and washable. The transparency of MS products is close to acrylic but lower. It is mainly used in consumer goods, food containers, cosmetic containers, electronic materials, and toys. In the first half of 2021, the local supply chain imbalance caused by the ice storm in Texas caused the food container and cosmetic container industries to readjust their applied proportions of raw materials and increase their usage of MS. This has made the sales performance of MS products even better than before the pandemic outbreak.

## **PMMA**

PMMA (Polymethyl methacrylate, commonly known as acrylic or plexiglass) features characteristics including high finish, transparency, and high gloss. It is primarily used



in building materials, accessories, automobile lights, electronic materials. In the past, CHIMEI's acrylic applications were mainly used in optical-grade products, including electronic materials used in the production of optical-grade acrylic particles and optical-grade light guide plates; these accounted for about 40% of overall acrylic sales. Recently, the application of optical grade products has been shrinking amid fierce market price competition. PMMA products have gradually shifted their focus to lighting products in the after-sales maintenance market of the automotive industry. At present, CHIMEI supplies about 25% of the global automotive aftermarket. PMMA sales were also boosted by the supply chain imbalance that resulted from the Texas ice storm in the first half of 2021.

### **Electronic materials**

CHIMEI produces electronic material products including light guide plates, diffuser plates, optical grade resin, and so on. They are mainly used in backlight modules of LCD TVs and display panels, accounting for about 80% of total electronic material product sales. In addition, we also supply products including lighting, home appliances and audio casings, vehicle tail lights, and anti-pandemic panel barriers.

End-market demand for TVs and monitors has greatly increased on the back of the stay-at-home economy trend arising amid the COVID-19 pandemic. This has allowed CHIMEI's sheet products to benefit from the early stages of the pandemic. As governments around the world have gradually loosened anti-pandemic measures, however, demand has slowed in the TV and monitor industries. The purchasing behavior of manufacturers is becoming more conservative, and the market faces oversupply. As a result, the overall sales volume in the second half of 2021 was seen as lower than in the initial stages of the pandemic.

### **Synthetic rubber**

The end applications of CHIMEI's rubber products mainly go into tires, footwear, golf ball cores, plastic modification, road improvement, hot melt adhesives, and so on. Cooperative partners include well-known international brands and sales extend all over the world, though the Asia-Pacific region accounts for the highest proportion. CHIMEI's rubber production methods are rigorous and high in quality. Furthermore, we have successfully developed rubber products with extremely low moisture content, providing a new generation of solutions for golf ball manufacturers. Therefore, this has gained the deep appreciation of well-known golf manufacturers and the brand coverage rate is as high as 90%.

Rubber industry applications are based mainly on leisure and recreation. In the early days of the COVID-19 pandemic, people's activities were limited in scope due to the anti-pandemic restrictions imposed by a range of countries. Stagnant leisure-activity consumption thus led to weak demand. Industries such as tires, footwear, and golf were severely impacted along with road improvement projects. On the other hand, demand began to ferment and sales gradually picked up in line with new lifestyle trends arising from the pandemic. The "stay-at-home economy" led to plastic modification applications

for small appliances and in line with hygiene products such as isolation gowns using hot melt adhesives. In addition, with the loosening of pandemic prevention measures, consumption patterns are gradually recovering and returning to normal. Tire, shoes, golf, and other industries have shaken off the fatigue of 2020 and gradually gotten back on track.

### **Composite materials (including post-consumer recycled plastic)**

CHIMEI's composite products include PC alloy resin and post consumer recycled plastic:

#### **PC alloy resins**

PC alloy resin (hereinafter referred to as PCS) stands as an extension of CHIMEI's existing PC and ABS product applications. In response to increasingly strict product quality requirements among users, corresponding material quality requirements have been upgraded accordingly. PCS has achieved an improved balance among different material properties and has emerged with a wide range of applications. With the rise of trend topics such as 5G, new energy vehicles, smart homes and new energy, and changes in lifestyles in the post-pandemic era, demand growth will be driven by work from home economy, online education, stay-at-home economy, outdoor activities, and tourism demand for mobile energy storage devices. This will benefit energy storage systems, charging piles, netcom, lithium batteries, 3C electronics, home appliances, fitness equipment, and power tools while propelling CHIMEI's PCS sales. In recent years, the rapid growth of PC and ABS production capacity in mainland China has also provided sufficient backup for raw materials for PCS production. In addition, extreme weather in 2021 gave rise to an imbalance between supply and demand in Europe and the United States. CHIMEI thus seized the opportunity for an introduction to these markets in response to customer development needs, and especially in the European market where great emphasis is placed on green energy development. With its advantages of quality and stable supply, CHIMEI's PCS composites have successfully obtained the gradual introduction to charging pile (charging gun) manufacturers and have expanded their application.

#### **Post consumer recycled plastic**

Post consumer recycled plastic (PCR) constitutes recycled and remanufactured products using plastics used by consumers. In recent years, attention has been paid internationally to carbon neutrality, energy crises, marine plastic pollution, the circular economy, and other issues, and ESG has gradually been listed as a sustainable development policy by companies worldwide. In addition to actively participating in international initiatives and promoting green investment, CHIMEI has aligned with this international trend by actively deploying the PCR market in terms of product development. Since PCR materials have the advantages of waste reduction and carbon reduction, they have gradually become one of the critical materials for product design and development among most enterprises. They are primarily utilized in consumer electronics, televisions, monitors, notebook computers, home appliances, auto parts, and other related plastic parts. At the same time, the

proportion of PCR content is gradually increasing, and it is gradually gaining favor in the market. CHIMEI also has the production capacity and market positioning for ABS, PC, and PC alloys. Under our Clean & Green corporate philosophy, we actively practice a circular economy on the one hand. On the other hand, we adhere to the tenet of sustainable operations and customer service as we develop a series of PCR related products. Meanwhile, we have also obtained international certification for PCR products with a high content ratio as we assist clients in moving towards carbon neutrality and reflect the value of CHIMEI's green initiatives.

### Specialty chemicals

The specialty chemicals produced by CHIMEI include photoresist, wet chemicals, alignment film material, polyimide film, and adhesive material; they are mainly used in the display, touch, automotive, medical, and semiconductor industries. At present, we have also entered the cross-Strait market to supply LCD panel manufacturers, touch element manufacturers, LED manufacturers, packaging and semiconductor manufacturers, and so forth. Among them, the main product is color photoresist, accounting for about 60% of the company's sales of specialty chemical products and primarily provided to display applications (TVs and automobiles). With the shift of market display niches, the Company also cooperates with panel factory customers to adjust its niche products.

Impacted by the COVID-19 pandemic in 2021, international raw materials shortages and international transportation disruptions have forced major manufacturers to pay more attention to supply chain risks. This is especially true of the color photoresist supply chain in Greater China. With its advantages of focusing on its own business and having production bases on both sides of the Taiwan Strait, CHIMEI has broken through the longstanding technological monopoly held by Japanese and Korean suppliers. We have also assisted customers in taking on the important task of replacing supply when other suppliers have exited the market without warning. The pandemic has also created awareness of the importance of local supply chains for positive photoresist used in the semiconductor industry. Members of this sector have also gradually become the Company's customers for specialty chemicals. Zhenjiang CHIMEI is building its second phase production capacity (2,400 tons/year). In the future, it will continue to provide stable supply in mainland China while improving its product quality.

### 5.1.3 Research and Development

#### A. Research and Development Expenses

Unit: NT\$ thousands

2020	2021	2022(As of Mar. 31)
957,833	1,063,266	311,537

## B. Successfully developed technology or product

Product Categories	Successfully developed products	Remark
ABS	(1) Developed flame retardant ABS environmental protection formula (2) Developed building block specifications	(1) Developed products that are both environmentally friendly and flame retardant. The products are suitable for the production of electrical sockets, power tools, and housings for home appliances. (2) Started mass production in building block specifications and offered stable supply to customers.
	High outdoor durability ASA	Acquired f1 certification for weather resistance and durability in accordance with UL746C standard specifications; this is more suitable for outdoor parts, building materials, and car materials.
	Developed low-haze transparent MABS	Using innovative technology, produced transparent MABS with low haze and better injection temperature dependence
PCR	rABS 、FR-rPC 、FR-rPC/ABS	PCR (Post-Consumer Recycled) Plastics Post-consumer recycled plastic products, certified by TÜV Rheinland Used in the fields of home appliances and 5G network communication.
PCS	Low-smoke flame-retardant PC, thin gauge transparent flame-retardant PC, high weather resistance FR PC/ASA, electroplating grade PC/ABS	Widely used in network communications, transportation, vehicles, charging piles and batteries, and other industries, the low-smoke flame-retardant PC meets the low-smoke specifications of rail transit (TB/T 3237, EN45545) and network communications (UL 2043). High weather resistance FR PC/ASA also obtained UL f1 certification, and can be widely used in outdoor communication and charging equipment.
PMMA	(1) High flow, thermal stability (2) High heat resistance and surface scratch resistance	(1) High fluidity and high injection thermal stability; has US AMECA certification and is mainly used in the complex component lighting market. (2) High heat resistance and high surface scratch resistance; can be widely used in outdoor lighting and automotive lamp shades and other outdoor needs.
PS	Thin gauge high strength applications	High strength with thin gauge uniformity; can be used for existing vacuum forming thickness reduction, lightweight, and large and complex vacuum forming needs.

Product Categories	Successfully developed products	Remark
RUBBERS	Reduced amount of HBR catalyst	Mainly used in tires and shoe soles to avoid the formation of metal deposits.
	HBR for transparent soles	Mainly used for transparent soles; excellent compatibility with anhydrous white smoke.
	Injection vulcanized sole rubber material	Mainly used to inject vulcanized soles; has good extrudability.
	Optimized solution viscosity control; stable quality	Mainly used for resin modification to increase the yield of resin production.
PC	High quality low crystal point, resistant to hydrolysis and atomization	Mainly used for optical lenses, car lights, films and other applications.
Electronic Materials	Thin high-efficiency light guide plate	Mainly used for super large-scale high-resolution high-contrast 8K HDR display products.
Specialty Chemicals	Low reflection low temperature process black photoresist	Flexible display for plastic substrates.
	Ultra-high-definition high-impedance black photoresist	For high-resolution IPS displays.
	High-definition RDL positive photoresist for packaging	High-precision process that can be used in advanced packaging, with advantages such as thinning and low power consumption.
	High heat-resistant interlayer insulating film	For reflective panels (such as outdoor panels); has characteristics of high density, high sensitivity and high heat resistance.
	RDL positive thick film photoresist for packaging	Used in the RDL process of semiconductor packaging; has high sensitivity characteristics.
	Microlens array photoresist	With characteristics including high transparency and high heat resistance and the ability to be spherically concentrated, can be applied in under-screen fingerprint recognition image sensors.
	Alignment film heavy industry	Reuse alignment film waste liquid produced by customers' processes.

#### 5.1.4 Long-term and Short-term Development

##### A. Short-term Development

- (1)The practice of sustainable management: continue to promote ESG, align with international standards, green energy planning and implementation.
- (2)Enhancing the management of industrial safety, information security and environmental safety, and solidifying the foundation for operations.
- (3)The supply chain management ensures the availability of production materials and key spare parts.
- (4)Improve logistics management and master international logistics trends.
- (5)Continue to improve the high-value products and brand customer positioning.
- (6)Cultivate artificial intelligence talents, and establish an operating environment with intelligence and data.

- (7) Integrate the productions and sales in Greater China Area, to maximize production efficiency.
- (8) Deepen the new brand spirit of CHIMEI: A Step Up.
- (9) Strengthen the spirit of ethical corporate management.

#### B. Long-term Development

- (1) On the product side, we continue to focus on client-side innovation and integrate elements of sustainable management:
  - Circular Economy: Strengthening research on recycled materials, introducing to products and customers.
  - Green materials: The development and promotion of low-residue monomer products, is an important part of future environment friendly and green materials; the application fields should be expanded on the existing foundation.
  - Continuous development and improvement of high-value products; in particular, the application of emerging industries should be emphasized such as 5G, electric vehicles, medical care, and energy storage.
  - The application range of composite materials is wide, and the sales volume of 150,000 tons is targeted on the existing basis.
- (2) For operations and production, a Clean and Green environment is created:  
Centered on sustainable development, from product, process, and plants and extending to partners; co-creating the vision of Clean and Green. Continuing to invest in the green environment to fulfill our corporate social responsibility, doing our part for a sustainable planet
- (3) Regarding to corporate governance, ethical corporate management is core. Corporate Governance:  
In addition to internal implementation and supervision, it further strengthens the agreement between suppliers and customers regarding ethical corporate management.
- (4) Regarding to social responsibility, fulfilling the responsibilities as a corporate social citizen. Social Benefactor:  
Fulfilling corporate social responsibility is an integral part of CHIMEI's corporate culture, and the scope of feedback is expanding continuously. We continue to invest resources in the fields of art and medicine and expand social care, helping charities for the disadvantaged and expanding the influence of the enterprise to fulfill our corporate social responsibility.
- (5) In regard of talents, a global perspective is established. Global Perspective:  
Creating a safe, secure and trustworthy workplace environment; paying attention to global technological evolution and competitive trends; consolidating the consensus goal of globalization company-wide; comprehensively improving the functions of employees; strengthening process efficiency, knowledge sharing, and experience, while continuing the enhancement of industrial safety and environmental safety, to ensure employees' safety. Adhering to the shared culture of CHIMEI, we have established a mutually beneficial welfare system for labor and management and pursued a work-life balance.

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### A. Sales (Service) Region

Unit: NT\$ thousands

Main products	2021	Area
	Net Revenue	
ABS	57,564,469	Asia, America, Europe
AS	6,405,839	Asia, America, Europe
PC	12,911,343	Asia, America, Europe
PS	2,258,707	Asia
MS	2,727,561	Asia
PMMA	1,751,070	Asia
Electronic materials	1,165,186	Asia
Synthetic rubber	4,524,175	Asia, America, Europe
Composite materials (including post-consumer recycled plastic)	2,365,590	Asia, America, Europe
Specialty Chemicals	4,665,154	Asia

#### B. Future supply conditions and growth potential of the market, competitive niche, and favorable and unfavorable factors of development prospects and countermeasures

##### ABS

Major international manufacturers and local petrochemical plants will actively expand ABS production lines in mainland China in the next few years. Placing supply near the place of origin constitutes an absolute trend, which is bound to produce a competitive crowding effect. Therefore, CHIMEI Taiwan continues to develop overseas sales as a countermeasure. In the post-pandemic era, remote collaboration and working from home are bound to become new forms of work. Given the recent advent of issues surrounding the metaverse, end markets have also begun to deploy related industry supply chains. Therefore, strong demand is still anticipated for wearable devices and smart homes. As a result, general-purpose ABS can still maintain certain demand growth. In addition, the Asia-Pacific region also currently stands to witness substantial capacity additions in terms of the supply of raw materials such as styrene and butadiene. In contrast, Europe and the United States have not added new raw material production capacity. Therefore, production in the Asia-Pacific region will be relatively competitive in the next few years. CHIMEI will also make good use of its supply chain niche to ensure a stable supply of service value.

Carbon reduction and net zero emissions are the general trend. However, it is still difficult to develop products that would replace plastic materials in the short term, while the plastic industry will gradually introduce recycled materials or other alternative materials in the process of carbon reduction. However, high-quality ABS products will still be the main material for end product application manufacturers in the coming years. CHIMEI has prepared for the carbon issue in advance and has aligned itself with global trends. Separately, given the issue of net zero carbon emissions in the future, recycled plastics

may be converted into one of the main sources of raw materials. CHIMEI already uses post industrial resin (PIR) in the production process. We have more actively cultivated the industrial chain and applications for post consumer recycled plastic (PCR), yielding visible results.

CHIMEI is actively pursuing low-carbon production, reconfiguring production lines anew, adjusting product formulations, optimizing production capacity ratios, and developing high-value ABS product lines. Together with our increasing efforts in the field of recycled plastics, this will become CHIMEI's greatest source of competitiveness in the process of changing our operating environment.

## **PC**

PC falls under the category of engineering plastics, and its mechanical properties are quite optimal. In the next two years, it will play a key role in applying and developing emerging industries such as electric vehicles and 5G netcom. Zhangzhou CHIMEI is expected to introduce a new generation of process technology from EPC Engineering & Technologies with the Versalis DPC process authorized by Lummus Technology to build a new PC plant with an annual capacity of 180,000 tons while upholding the concept of Clean & Green. The new production capacity plan will actively introduce advanced processes that optimize energy efficiency, providing PC materials with green and environmental protection characteristics in the market. Mass production is expected in the fourth quarter of 2024 to expand our presence in the growing PC market.

CHIMEI Taiwan's PC plant will keep striving to accelerate industrial transformation and increase the added value of its products. In view of the rapid development of various new applications, CHIMEI is committed to deepening our cooperation with netcom providers. Our PC and PC alloy products lead the industry with their high penetration rates. We will continue to develop application materials related to electric vehicles and energy storage equipment, actively participating in these emerging and fast-growing industries to become a key material supplier in the supply chain. In the medical industry, CHIMEI's PC materials have also continued developing and obtaining international certifications. In this way, we have demonstrated results for the high-value layout of our products and have become a trusted partner of major medical product companies during the pandemic. CHIMEI will keep providing good, stable, environmentally friendly plastic materials, as we continue to deepen industrial applications and become a high-quality PC manufacturer.

## **PS**

PS resin continues to be oversupplied at present, and new upstream SM production capacity has been progressively released in mainland China to provide local plants with greater competitive advantages in terms of raw materials. CHIMEI has also forged a new plan regarding the layout of its PS production line. In addition to maintaining the HIPS production line in Taiwan, given our technological and supply advantages here, we will no longer produce and sell GPPS products in Taiwan. Instead, Zhenjiang CHIMEI and Zhangzhou CHIMEI will address GPPS production capacity and market demand. In addition,



because CHIMEI's rubber is self-produced, we can develop various forms of HIPS by adjusting the proportion of rubber. This stands as CHIMEI's advantage.

Zhangzhou CHIMEI has begun construction of a PS plant with an annual production capacity of 350,000 tons, and it is expected to come online in the fourth quarter of 2022. In the future product and market layout of PS, the Group will integrate Zhenjiang CHIMEI and Zhangzhou CHIMEI while making optimal allocations for raw material supply, market demand, logistics and transportation, and so on; and we will deepen the layout in the market through cost competitiveness.

## **MS**

The specific gravity of MS particles is lower than that of PMMA, and more plastics can be made with less raw materials, thereby helping customers reduce costs. As one of the largest MS suppliers globally, CHIMEI has many years of rich experience in optical panels, is well aware of the various needs of optically transparent materials, and integrates professional knowledge to develop top-notch materials. In addition to continuously investing in R&D and improving performance, CHIMEI keeps its products competitive. We have successfully developed optical grade MS products in recent years, becoming the mainstream of the light guide plate application of the new generation of TFT-LCD display products and forging connections in the complete supply chain between upstream and mid-stream and downstream.

## **PMMA**

PMMA is a product produced by polymerization of a single primary raw material, and the market is easily affected by fluctuations in the price of raw materials. Therefore, the supply and procurement strategy of the primary raw material MMA is related to the business performance of PMMA. CHIMEI has slightly adjusted our PMMA business strategy in recent years, expanding the introduction of raw material suppliers to achieve greater price elasticity. With respect to finished goods, we have focused on the development of high-value application fields and avoidance of price competition in a "red ocean" market. PMMA-related products like cosmetic containers, tableware, etc., are highly connected with outdoor activities. Under the Company's new business strategy, we anticipate that overall operations can remain stable if COVID-19 pandemic conditions gradually ease in the future.

## **Electronic materials**

In 2021, the Group's electronic material product production capacity planning was adjusted in response to market changes, covering products such as light guide plates and diffuser plates. Taiwan's production lines have been downsized and repositioned, while Zhenjiang CHIMEI has maintained an unchanged scale of existing production lines. Mainland China's LCD panel industry has been catching up rapidly in recent years, and local supply will be an important strategy for the panel industry supply chain. Therefore, Zhenjiang CHIMEI is planning to supply the mainland Chinese market. Meanwhile, the production lines of

CHIMEI Taiwan will primarily address the needs of international brand customers and avoid "red ocean" low price competition. Given oversupply conditions in the sheet application industry, mastering the production and R&D energy of optical-grade material particles will be a key element in the electronic materials supply chain. Therefore, CHIMEI will focus more on the research and development as well as the production of optical-grade MS particles in the future, promoting excellent optical quality in the LCD panel market. Many new display technologies have been developed in the LCD industry recently, such as: Mini LED, OLED, Micro LED, and so on. CHIMEI will continue to devote attention to the maturity of new technologies and capacity expansion trends, and will freely explore the application direction of optical sheets in related fields.

### **Synthetic rubber**

This year (2021), the United States began to levy anti-dumping duties on the tire industries of Taiwan, South Korea, Vietnam, Thailand, and other countries. CHIMEI has sustained little impact due to our limited proportion of sales from the aforementioned regions. What is worthy of future attention is the unstoppable development of electric vehicles and green energy industries around the world, which is expected to trigger a new wave of tire demand. CHIMEI is also actively developing tires for electric vehicles, which require better rolling resistance, wet grip, and wear resistance than ordinary tires. These features also pose advantages and opportunities for CHIMEI's NdBR (neodymium based polybutadiene rubber). We intend to map out the future tire industry through service, quality, carbon reduction, and green energy rubber products. Under CHIMEI's Clean & Green concept, we will work with our customers to advance towards a vision of Green Mobility.

In the future, CHIMEI's rubber will address four major aspects in our market development, including price differentiation, high value application, responsiveness to international initiatives, and certification and irreplaceability of our products. In the future, we will move towards the use of biomass materials, sustainable processes, and green rubber products. In addition, we will also focus on certification surveys that international brand customers pay attention to. We will simultaneously apply for international certifications that customers have obtained or are expected to bring in, deploying to seize market opportunities ahead of time. We will make flexible adjustments to the supply of regional and international brand customers according to differing industrial market conditions in terms of sales strategy. This will ensure that rubber products are not concentrated in specific industries and regions, thereby achieving the goal of risk diversification.

### **Composite materials (including post-consumer recycled plastic)**

#### **PC alloy resins**

CHIMEI has simultaneously expanded our new PCS composite materials production capacity on both sides of the Taiwan Strait. The current total annual production capacity is 150,000 tons, which can meet our operational needs in 2022. At the same time, Zhangzhou CHIMEI will mass-produce ABS and PC in stages. It can provide localized raw material supply for

CHIMEI's future composite material production lines, thereby providing support for future growth plans and meeting a gradual expansion in new industrial needs. In order to meet customers' safety and environmental concerns, the low smoke density material developed by CHIMEI has been applied by netcom brand manufacturers in indoor routers and European passenger car compartments. In addition, this encompasses the requirements of low temperature resistance and oil resistance of car charging piles (charging guns), materials for laser engraving instead of inkjet printing, and low odor and low abnormal noise materials for car comfort requirements. All of these are currently in the process of development and certification with customers.

In order to meet customers' safety and environmental concerns, the low smoke density material developed by CHIMEI has been applied by netcom brand manufacturers in indoor routers and European passenger car compartments. In addition, this encompasses the requirements of low temperature resistance and oil resistance of car charging piles (charging guns), materials for laser engraving instead of inkjet printing, and low odor and low abnormal noise materials for car comfort requirements. All of these are currently in the process of development and certification with customers.

Composite materials constitute a material solution for many emerging industries, and they also stand as one of the key products for CHIMEI's future development. Based on the core value of Client-Side Innovation TM, CHIMEI will use the long-term expertise we have accumulated in plastics and provide efficient and effective services to develop material solutions that meet customer needs, in anticipation of playing a key integral role in the material supply chain.

### **Post consumer recycled plastic**

CHIMEI's PCR annual production capacity in Taiwan is about 6,000 tons. The required recycling of ABS and PC is provided by TUV-certified recycling plants to ensure the source of recycled materials and to meet customer needs. Primary sales targets are those customer groups who are achieving sustainable management policies. We aim to help customers meet the requirements of EPEAT certification in market development.

In 2022, PCR will be further promoted to factories in mainland China and will obtain product certification. By then, the annual production capacity of cross-strait PCR will increase to 20,000 tons. At the same time, by taking advantage of the advantages of localized recycled materials and simultaneously using recycled packaging bags made of recycled PP (PCR-PP), we will realize complete PCR products that are recycled inside and outside the plastic and packaging bags.

Under the Group's collaborative promotion of PCR products, we will satisfy customer needs with stable supply and quality. The development of PCR drives the growth of demand for recycled plastics. CHIMEI bases the foundation of its material development on PC and ABS, while simultaneously considering the diversity of recycled material supply. At this stage, development is underway for recycled marine waste rPET and rPC composite recycled materials with physical properties equivalent to PCS recycled materials. We are also

conducting material reliability and processability assessments with auto part and netcom customers. We thus intend to develop sustainable materials for customers and provide them with material solutions while developing a CHIMEI green material PCR supply chain.

### **Specialty chemicals**

At present, the primary color photoresist product is mainly supplied to panel factories in Greater China, and is subject to competition from emerging specialty chemical manufacturers on the mainland. CHIMEI pays more attention to the localization of supply, and the rapid deployment of special chemical production lines. At present, global production capacity is still in surplus and the bottleneck is therefore not found in production capacity but rather in the vigor of research and development. In the future, as customers adjust their niche product plans, the Company will continue to improve process efficiency and quality control technology. We shall win market share with professional and efficient customized technical capabilities.

In addition to the panel industry, the Company is also committed to breaking into the market for positive photoresist used in the semiconductor process. However, the threshold for new products is relatively high, and it is necessary to actively search for a development platform to improve technical specifications and increase product competitiveness. Also, in addition to mature LCD display technology, we will continue to pay attention to and develop new application fields such as special chemicals for Mini and Micro LED, foldable displays, 5G, 8K monitors, and electric vehicles. Putting CHIMEI's experience in the field of specialty chemicals to use, we have accumulated more than ten years of technical capabilities, expanded product territory, and moved towards the goal of sustainable management.

### **Conclusion**

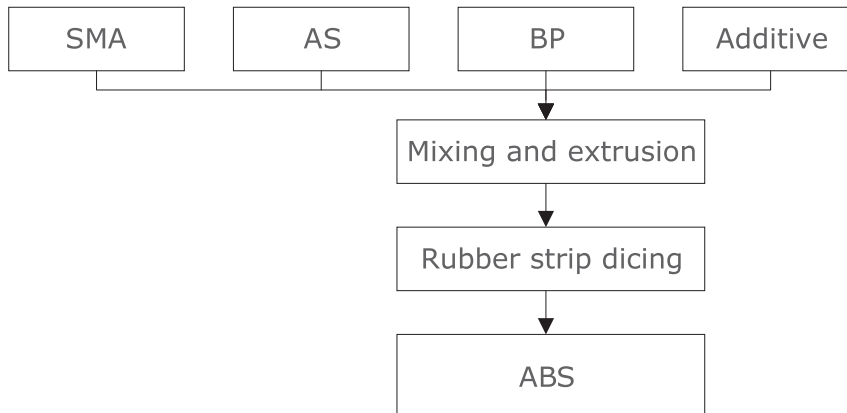
The foundation of CHIMEI's brand power shall be found in implementing industrial safety management, strengthening equipment maintenance and repair, and meeting customer expectations while providing good, stable, and environmentally friendly plastic materials. In line with our new brand image spirit of "A Step Up" and our business philosophy of Clean & Green, CHIMEI will continue to devote attention to environmental issues such as carbon neutrality while deepening industrial applications in order to be the best partner for customers for high-quality, high-performance material solutions.

### 5.2.2 Production Procedures of Main Products

#### 1. ABS

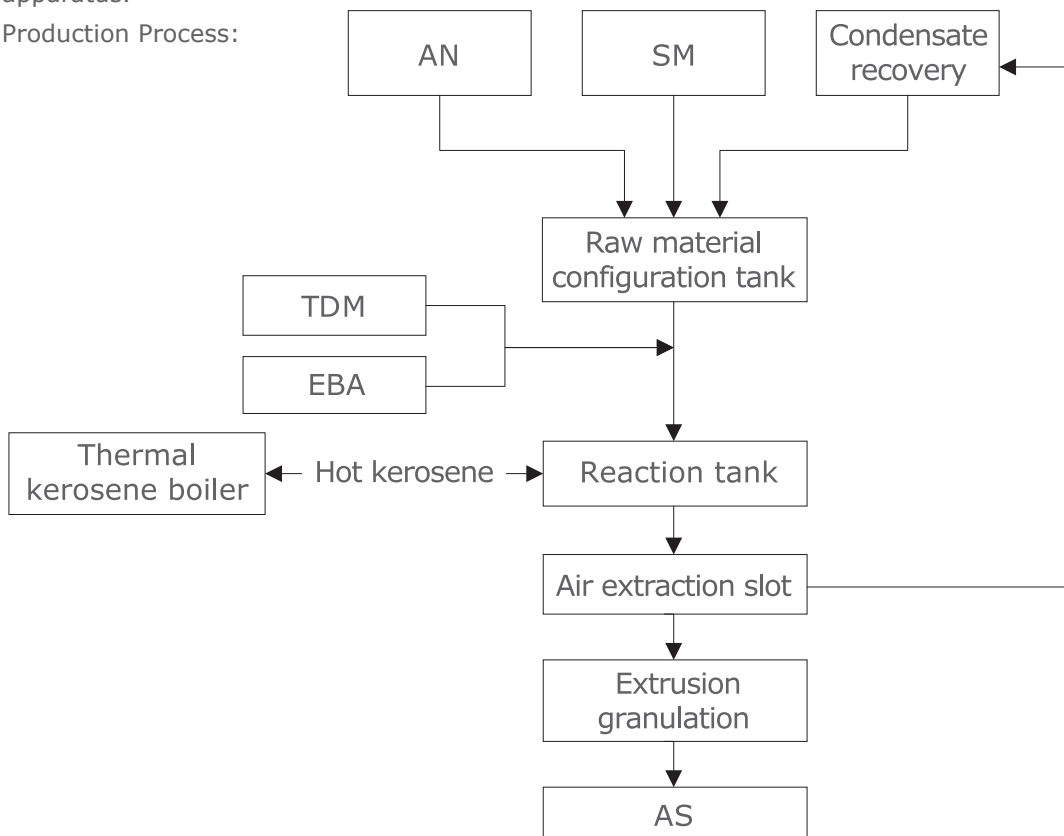
It has been widely used in manufacturing machinery, electronic components, electrical and home appliances, auto parts, toys and sporting goods.

Production Process:



AS is used in lighter casings, battery casings, cosmetic packaging, and detergent sprayer apparatus.

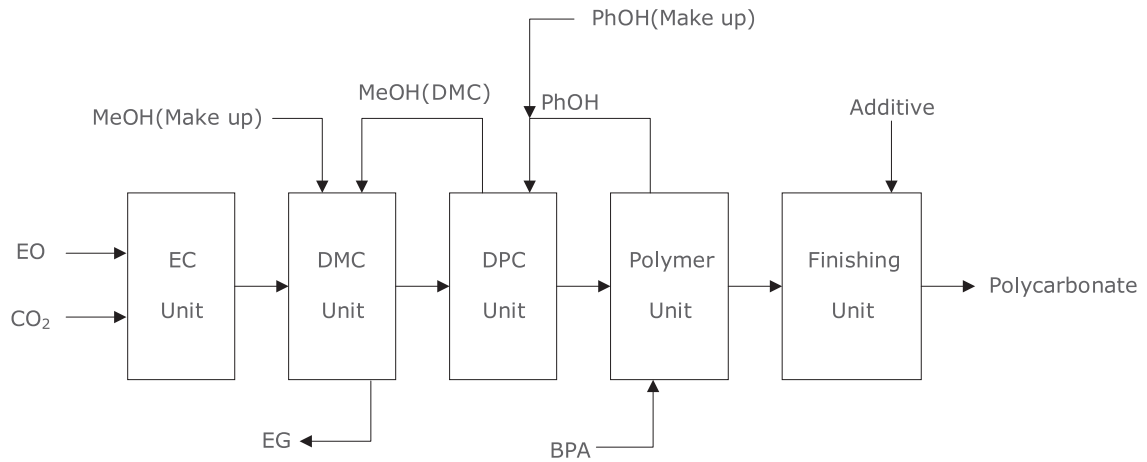
Production Process:



## 2. PC

PC is suitable for all 3C products, precision machinery, instrument products, automotive parts, construction materials, home appliances, and sanitary hygiene products.

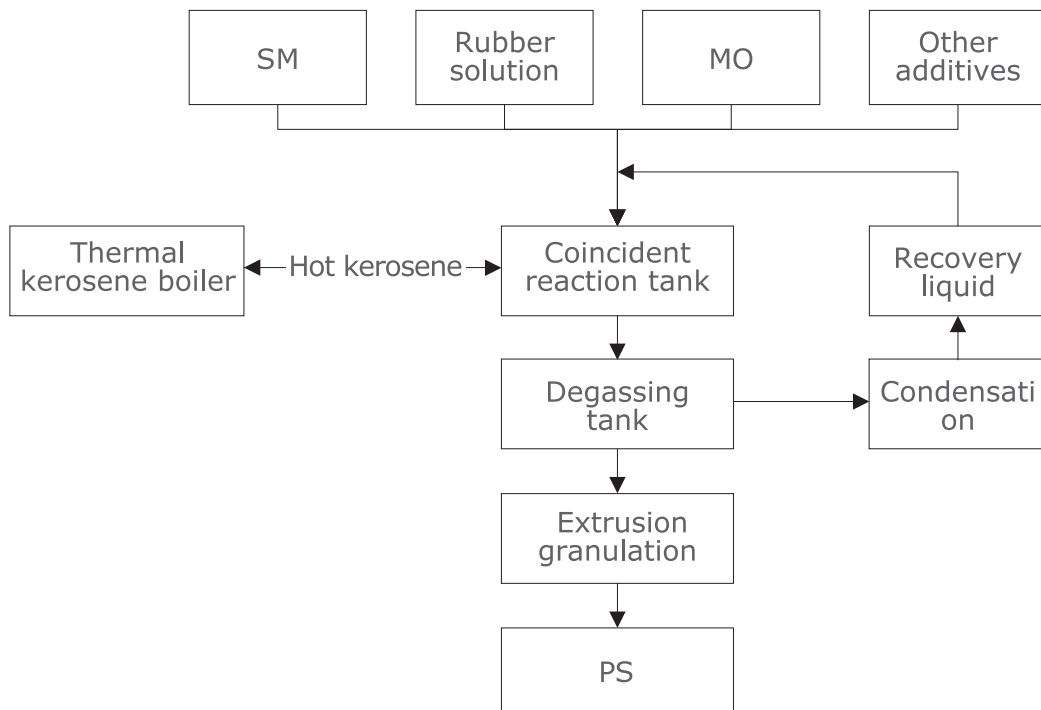
Production Process:



## 3. PS

POLYREX® is suitable for home appliances, food and water contact materials, toys, and construction materials, and especially appliance housings due to its excellent processability.

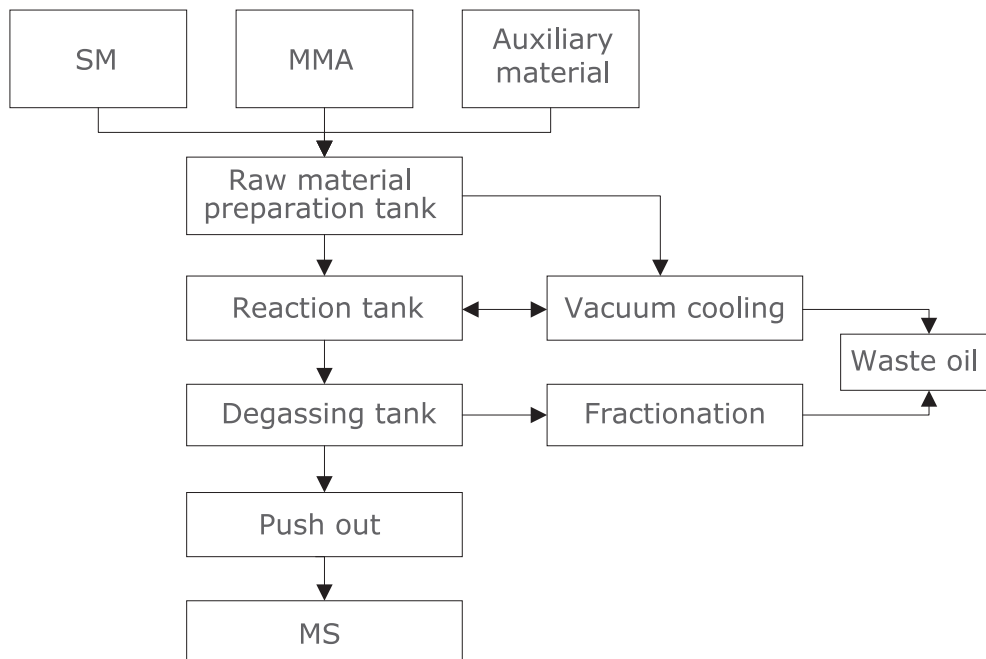
Production Process:



## 4.MS

It has been widely used in food container and cosmetics containers.

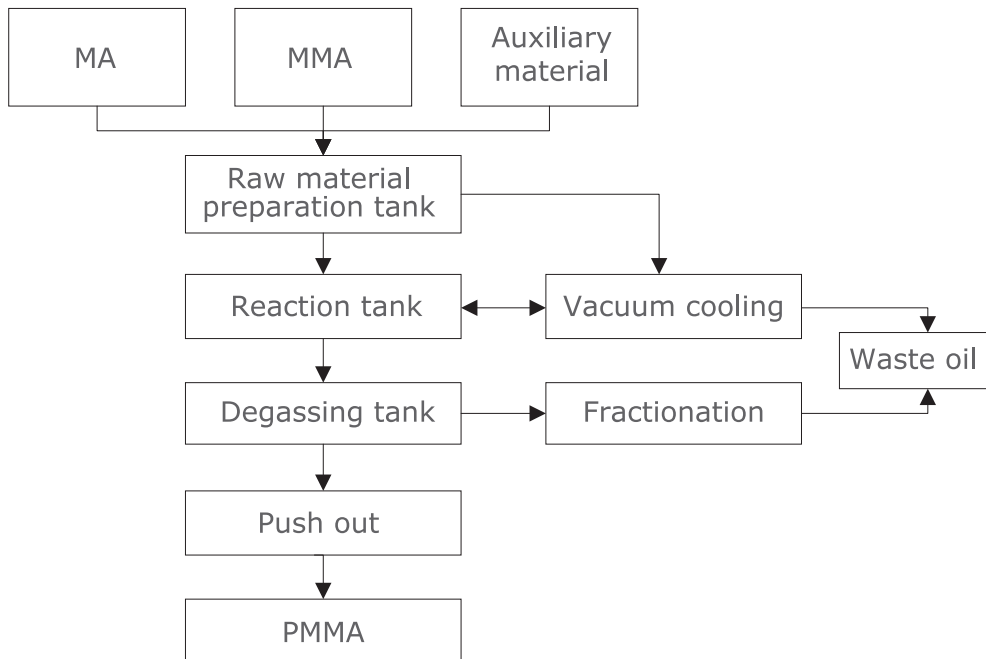
Production Process:



## 5.PMMA

It has been widely used in panel parts, mechanical parts, clock shell, Motor vehicle indicator, telecommunications equipment, insulate parts, home appliances, ornament, sunglasses, decoration, advertising modules, food container.

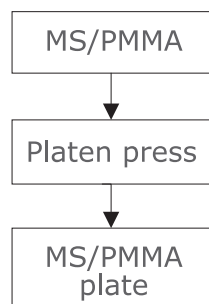
Production Process:



## 6.Electronic Materials

It has been widely used in display Panel Backlight Module.

Production Process:

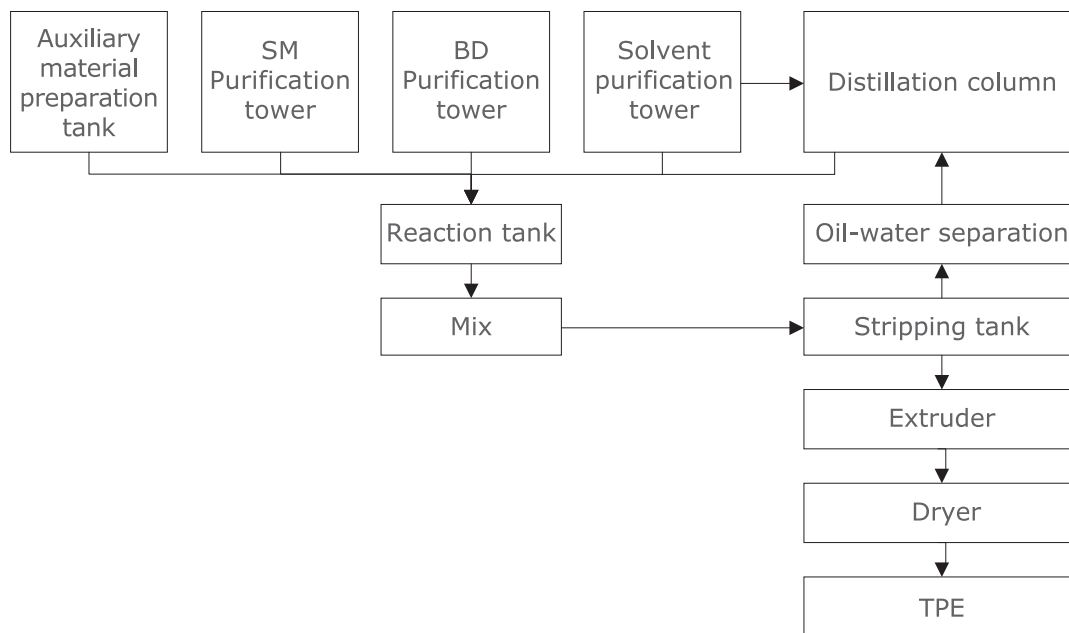




## 7. Synthetic Rubbers

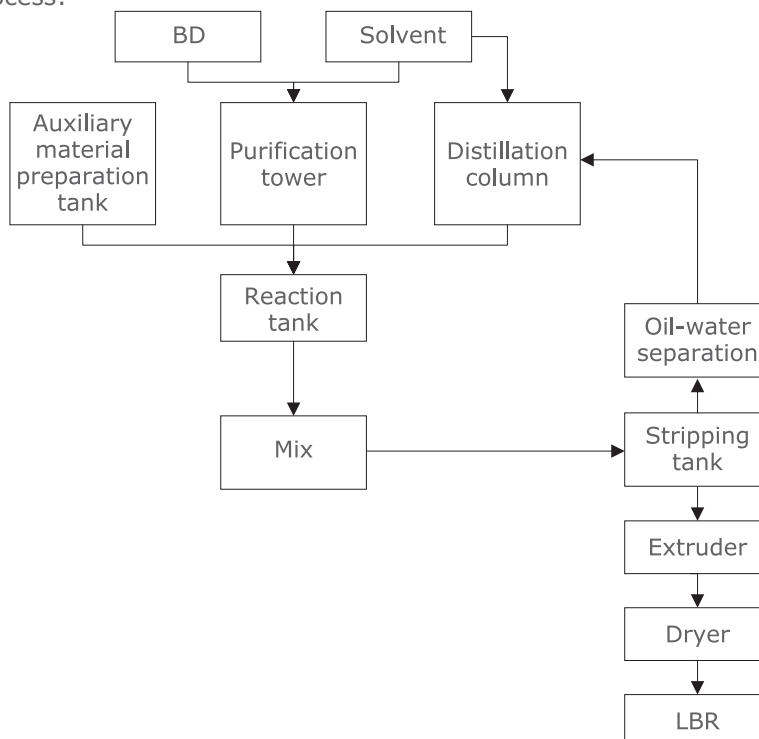
Thermoplastic rubber can be widely applied for shoe industry, sports equipment, asphalt modifications, plastic modification agents, and adhesive agents.

Production Process:



LBR can be used for GPPS modification, tires industry, premium shoes, sports equipment.

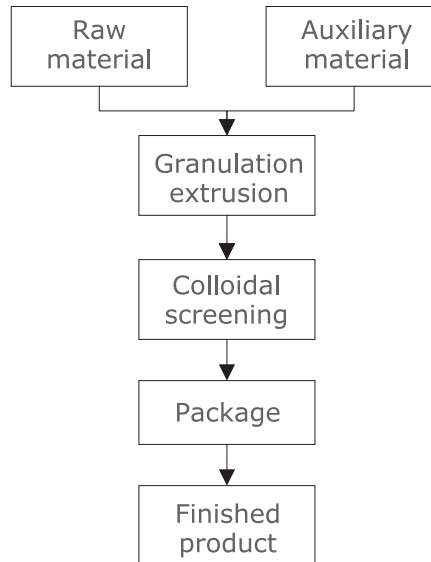
Production Process:



#### 8. Composite materials (including post-consumer recycled plastic)

Compound materials are widely applied in laptops and mobile phone casings, 3C electronics, appliances, fitness equipment and power tools. In order to integrate the production characteristics of the Group, in Taiwan, the subsidiary, CHILIN Technology, is mainly commissioned to cooperate with the production, and in China, the subsidiary, Lin Shine Engineering Plastics(Suzhou)Co.,Ltd. is commissioned to cooperate with the production.

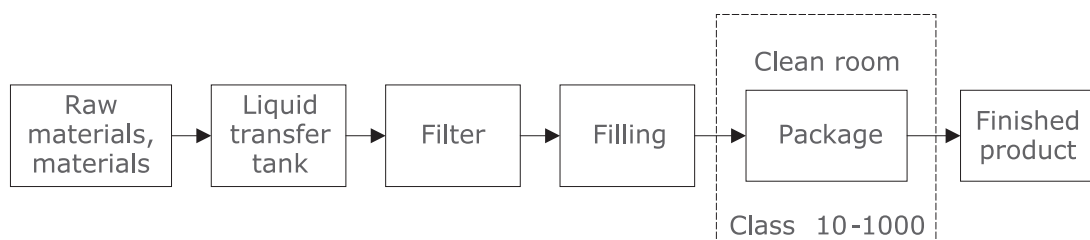
Production Process:



#### 9. Special Chemicals

Special Chemicals is widely used in TFT-LCD products like photoresists, developing solution, stripping solution, cleaning fluid, and wash edge.

Production Process:



### 5.2.3 Supply Status of Main Materials

Major Raw Materials	Source of Supply	Supply Situation
Styrene	MC, Hanwha Total, SHELL, Taiwan Styrene Monomer Corporation, Grand Pacific Petrochemical Corporation, Formosa Chemicals & Fibre Corporation, Idemitsu Kosan Co., Ltd.	Stable
Butadiene	Formosa Petrochemical Corporation, CPC Corporation, Braskem	
Acrylonitrile	INEOS, Asahi Kasei, China Petrochemical Development Corporation, Formosa Plastics Corporation	
Methyl methacrylate	MCC, Asahi Kasei, Formosa Plastics Corporation, Kaohsiung Monomer Company Limited	
Bisphenol A	Chang Chun Plastics Co., Ltd. ^Nan Ya Plastics Corporation	

### 5.2.4 Information on major suppliers/clients who have accounted for at least 10% of sales/procurement in either of the past two years

#### A. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

2021			
Company Name	Amount	Percent	Relation with Issuer
Chang Chun Plastics Co., Ltd.	7,419,694	11	None
Others	57,711,454	89	
Net Total Supplies	65,131,148	100	

The Company did not purchase from any single supplier in 2020 for more than 10% of the total purchase amount. The reason for the changes: Taiwan Styrene Monomer is the main supplier of styrene; as the price of styrene in 2020 fluctuated more seriously than other major raw materials, the proportion of purchases has declined.

#### B. Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

2020				
Item	Company Name	Amount	Percent	Relation with Issuer
1	SINOCHEM	6,923,159	11	None
	Others	54,883,993	89	
	Net Sales	61,807,152	100	

2021, the Company did not sell to any customer for more than 10% of the total sales. Reasons for changes: Due to the imbalanced supply chain resulting in extreme weather and the pandemic, the European and the US markets have been gradually expanded, so the weight of sales tended to be balanced.

### 5.2.5 Production in the Last Two Years5.2.5 Production in the Last Two Years

Unit: Ton ; NT\$ thousands

Output Major Products (or by department)	Year	2020			2021		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
ABS		1,388,520	716,629	24,568,173	1,140,000	817,503	38,741,760
AS			98,909	2,867,260		108,228	4,495,900
PC		165,000	124,401	5,917,596	165,000	154,752	12,552,687
PS		82,950	40,332	1,081,423	69,000	49,562	1,898,212
MS		88,950	31,466	1,126,613	105,000	53,940	2,476,687
PMMA		100,000	26,553	1,219,283	90,000	31,211	1,806,243
Electronic materials		28,000	31,208	1,683,202	16,800	14,881	1,163,977
Synthetic rubber		138,000	90,768	3,388,380	138,000	105,459	4,854,535
Specialty Chemicals		17,659	8,916	3,213,945	18,706	9,299	3,157,670
Others		—	166	30,652	—	5	1,130
Total			1,169,348	45,096,527		1,344,840	71,148,801

### 5.2.6 Shipments and Sales in the Last Two Years

Unit: Ton ; NT\$ thousands

Shipments & Sales Major Product (or by departments)	Year	2020				2021			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
ABS		70,779	3,924,532	641,187	31,715,503	71,887	5,427,049	728,384	52,137,420
AS		11,646	531,359	86,092	3,617,019	10,815	690,524	97,959	5,715,315
PC		33,977	862,434	103,673	5,490,251	42,523	1,359,176	125,837	11,552,167
PS		18,680	687,701	18,684	690,062	13,131	639,275	36,338	1,619,432
MS		4,187	185,031	24,525	1,077,348	10,259	553,796	40,052	2,173,765
PMMA		11,142	577,769	14,490	749,187	9,129	592,802	18,575	1,158,268
Electronic materials		1,123	56,889	30,429	2,041,005	1,339	74,432	14,724	1,090,754
Synthetic rubber		9,800	425,054	60,224	2,633,221	11,029	642,432	68,766	3,881,743
Composite materials (including post-consumer recycled plastic)		3,592	300,918	14,038	993,550	4,428	513,910	19,213	1,851,680
Specialty Chemicals		15,887	2,482,306	2,004	2,270,248	14,154	2,526,681	1,964	2,138,473
Others		216	60,162	7,062	435,603	30	48,396	9,185	643,495
Total		181,029	10,094,155	1,002,408	51,712,997	188,724	13,068,473	1,160,997	83,962,512

### 5.3 Human Resources

Year		2020	2021	As of Mar 31,2022
Number of Employees		2,105	2,081	2,084
Average Age		44.33	44.60	44.51
Average Years of Service		17.83	17.87	17.68
Education	Ph.D.	0.76%	0.81%	0.81%
	Masters	15.77%	16.77%	17.08%
	Bachelor's Degree	70.45%	70.60%	70.40%
	Senior High School	10.79%	9.90%	9.84%
	Below Senior High School	2.23%	1.92%	1.87%

### 5.4 Environmental Protection Expenditure

List the losses caused by environmental pollution in the most recent year and up to the date of this annual report: None.

### 5.5 Labor Relations

#### 5.5.1 List each item of the Company's employee welfare measures, advanced education, training, retirement systems and their implementation status, as well as the agreements between labor and management and various employee rights protection measures:

1. Important labor-management agreements at present and the status of their implementation:

(1) Employee benefits measures:

A. Employee benefits measures provided by the Company:

- Quarterly bonuses, year-end bonuses, performance bonuses, restricted stocks, and other incentives have been formulated, and relevant measures have been specified to motivate and retain talent required by the Company.
- An employee shareholding method and dividend system has been formulated to share operational performance with employees.
- Scholarships are set up for employees' children.
- In accordance with the labor law, there are retirement, resignation, pension, disaster, and compensation payment methods provided for employees.
- In addition to leave provisions that provided by law, special leave and overseas travel leave are also provided that exceed the law's provisions.
- A "Guardian Station" has been established to provide multiple service resources to help employees solve problems affecting work performance due to health, finance, family, law, psychological issues, and so on.
- AI technology is used to build "smart customer service" to answer colleagues' questions 24/7, and a push broadcast function is used to release important real-time Company information.
- An "Exemplary Employee of the Year" award is granted in a solemn public

presentation in order to inspire and expound up the sharing of employees' outstanding performances.

- i. Staff canteens have been set up to provide free meals during work times.
- j. Taking comfort and safety at work into account, we provide employees with custom-made free work clothes every year
- k. We provide employees with a full range of labor insurance, health insurance and group insurance, and design self-paid plans to provide employees and their dependents with free insurance.
- l. We provide regular health checkups every year, and proactively arrange physician consultations and health education via the infirmary for high-risk groups or middle-aged and elderly employees to enhance health awareness.
- m. An annual departmental activity fund is provided to promote teamwork and camaraderie among employees.
- n. We cooperate with International SOS to provide employees and their dependents with 24-hour medical/safety consulting services.
- o. We develop online access to personal physical examination reports so that employees can instantly grasp and track their personal health statuses.
- p. Psychologists are regularly stationed in the factory to provide employees with free consultation services.
- q. We have purchased a body composition analyzer to continuously track body fat status to provide physician interview information and prevent diseases caused by improper modern diets.
- r. For female employees, we provide exclusive parking spaces for pregnant women, discreet nursing rooms and high-quality equipment, and provide substantial attention and care.
- s. To encourage physical fitness, in addition to providing an outdoor softball field and building a multi-purpose sports hall, the venue facilities include basketball courts, badminton courts, yoga classrooms, billiard rooms, billiard rooms, fitness equipment, weight training rooms and outdoor tennis courts and other sports facilities. These are open for the free use of employees, dependents, and retired colleagues.
- t. From time to time, a variety of courses are planned in the CHIMEI "Sports Hall" and are open to the participation of colleagues and family members so as to promote the physical and mental health of colleagues and enhance the fun between parents and children.
- u. The "CHIMEI Retired Employees Association" was established to plan free recreational facilities and entertainment facilities to encourage retirees to communicate and interact to enrich their lives in retirement.

**B. Employee benefits measures handled by the Employee Welfare Committee:**

- a. Gifts or souvenirs are distributed during Lunar New Year, Dragon Boat Festival, Mid-Autumn Festival, Labor Day, and factory celebrations.
- b. Birthday gifts are given to employees during the months of their birthdays.
- c. Domestic travel and foreign travel subsidies are provided.

- d. Various associations have been established, and there is a subsidy method applicable to associations. Employees are free to choose to join. Each type of activity is handled in by matching a funding counterpart.
- e. A range of sports and ball games are held from time to time for physical and mental health adjustment among employees.

(2) Further education and training:

- A. The Company formulates an annual training plan every year based on the workplace needs of employees, and immediately selects personnel to participate in relevant training according to the needs of business development.
- B. We provide pre-employment training to new recruits to help them understand important precautions at work, speed up their integration into the workplace environment, and improve workplace safety.
- C. Arrange senior employees as new counselors to help new employees familiarize themselves with the working environment, understand the corporate culture, and help them solve life and work problems.
- D. Develop the online learning platform "e-CHI study" in addition to expanding learning channels and resources, and manage personal career development plans in a systematic way.
- E. Introduce the online learning tool "World Innovation Academy" to provide real-time, diversified and mobile learning information to strengthen employees' competitiveness in the workplace.
- F. Plan the "Advance Supervisor" training program for new supervisors to strengthen supervisors' management skills and shorten the learning curve for their self-exploration.
- G. In line with the company's digital transformation strategy, and in addition to being added to online courses and digital skills courses, employees are selected to be sent to the Taiwan Artificial Intelligence School to cultivate the Company's digital talent.

(3) Retirement system:

- A. The Company has a retirement plan for formally employed staff members. The pension payments of employees is calculated based on the length of service and the average salary at the time of retirement. The maximum amount of payment is 45 such bases; but for those who are forced to retire due to a work-related injury, 20% will be added in accordance with regulations. Since 1999, 10% of the total salary paid has been withdrawn as pension funds and deposited in a special account.
- B. For employees who are subject to the new pension system, labor pensions shall be allocated in accordance with the provisions of the Labor Pension Act. The current rate of contribution is 6% of the employees' monthly wages.

2. Other important agreements: None.



**5.5.2 List the losses suffered due to labor disputes in the most recent year and as of the publication date of the annual report, and disclose the estimated amount and corresponding measures that may occur at present and in the future:**

The Company actively handles welfare measures, and has a complete retirement system and handles industrial safety issues throughout its factories; and we fully communicate with employees through the labor union and the Welfare Committee. Therefore, labor-management relations are good and the turnover rate is very low. As a result, no labor disputes have occurred and no losses were suffered in the most recent year and up to the date of publication of the annual report. At the same time, under the principle of mutual benefit between labor and management, the possibility of labor disputes and losses in the future is extremely small.

**5.6 Important Contracts**

Contract nature	Contractual parties	Contract start and end date	Main content	Restrictive clauses
Sales contracts for unsecured ordinary corporate debt	E.SUN Commercial Bank	2018.9.26 ~2023.9.26	Planning and fundraising for corporate bond issuance	All of the NT\$5 billion in corporate bonds issued in this instance are entrusted to E.Sun for public underwriting by means of underwriting methods
Guarantees	13 banks including Mizuho Bank (China) Co., Ltd.	2019.12.18~ 2024.12.18	Acted as joint guarantor for the joint credit extension of RMB 2 billion signed between the debtor Zhangzhou Chimei Chemical Co., Ltd. and Mizuho Bank and other creditor banks	<ol style="list-style-type: none"> <li>1. When the debtor fails to repay the debt on time, the Company shall repay the debt in RMB.</li> <li>2. The Company shall maintain the level stipulated in the guarantee in the current ratio, debt ratio, and debt service coverage ratio</li> <li>3. The Company shall maintain not less than 51% equity in the debtor</li> </ol>

Contract nature	Contractual parties	Contract start and end date	Main content	Restrictive clauses
Solar photovoltaic power generation system electricity purchase and sale contract	CHIMEI Green Energy Corp., TAIWAN POWER COMPANY	2020.3.18~ 2040.3.18	Subsidiary CHIMEI Green Energy Co., Ltd. purchase and sale of solar photovoltaic power	In the event of invalidation of the certification for renewable energy power generation equipment for CHIMEI Green Energy Co., Ltd., cancellation or revocation of its electrical license, etc., Taiwan Power Co. may terminate the contract.
Real estate sales contract	Uni-President Enterprises Corp.	2020.5.11~ Completion of ownership transfer registration	Sale of real estate	Payment in installments according to the payment terms of the land sale and purchase agreement and the timetable for the registration of land ownership transfer shall be handled in accordance with the key points of land sales in Tree Valley Park.
Cogeneration turnkey project contract	TOSHIBA PLANT SYSTEMS & SERVICES CORPORATION, TOSHIBA ELECTRONIC COMPONENTS TAIWAN CORPORATION	2020.10.28~ 2022.11.29	Implement green investment projects and set up high-efficiency gas turbine steam-electric cogeneration equipment.	None

Contract nature	Contractual parties	Contract start and end date	Main content	Restrictive clauses
Guarantees	15 banks including Mega International Commercial Bank Co., Ltd. Ningbo Branch	2021.5.25~2026.5.24	Acted as joint guarantor for the syndicated loan of RMB 1.8 billion signed between the debtor Zhangzhou CHIMEI Chemical Co., Ltd. and Mega Bank and other creditor banks	<ol style="list-style-type: none"> <li>1. When the debtor fails to repay the debt on time, the Company shall repay the debt.</li> <li>2. The Company shall maintain the level stipulated in the guarantee in the current ratio, debt ratio, and debt service coverage ratio</li> <li>3. The Company shall maintain not less than 51% equity in the debtor</li> </ol>
Natural gas purchase contract	Shin Nan Natural Gas Co., Ltd	2021.7.1~2031.6.30	Natural gas long-term supply contracts	The Company provided a cashier's check of over NT\$100 million as security deposit.
LONG TERM PROGRAM CONTRACT (Parts)	Siemens Energy AB	2021.9.30~2041.9.29	Parts supply for long-term cogeneration maintenance contract	The contract stipulates the upper limit of compensation, but excludes major breach of contract and personal injury.
LONG TERM PROGRAM CONTRACT (Service)	Siemens Energy AG	2021.9.30~2041.9.29	Service provision for long-term cogeneration maintenance contract	The contract stipulates the upper limit of compensation, but excludes major breach of contract and personal injury.
Contract for reclaimed water	Water Resources Bureau Tainan City Government	2021.10.29~2039.7.1	Use reclaimed water from Tainan City Rende Water Reclamation Plant	The agreed annual water consumption is 2,640,000 cubic meters, which may be increased or decreased by 5%.

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## Financial Information

- 6.1 Five-Year Financial Summary
- 6.2 Five-Year Financial Analysis
- 6.3 Supervisor's Review Report
- 6.4 Consolidated Financial Statements and Report of Independent Auditor's Report
- 6.5 Any cash flow difficulties with the Company and its affiliates during the most recent year and as of the date of the Annual Report

## 6. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years				
		2017	2018	2019	2020	2021
Current assets		67,074,235	72,112,059	61,591,112	74,699,613	96,700,583
Property, Plant and Equipment		31,398,719	32,338,560	34,092,311	43,106,296	51,395,631
Intangible assets		251,683	207,166	197,164	307,120	317,765
Other assets		3,016,112	4,152,988	4,525,490	7,012,705	5,447,917
Total assets		101,740,749	108,810,773	100,406,077	125,125,734	153,861,896
Current liabilities	Before distribution	31,481,728	27,498,975	17,902,894	20,864,717	24,408,934
	After distribution	35,904,226	31,048,199	21,118,779	28,017,099	(註1)35,118,285
Non-current liabilities		2,603,841	8,168,101	9,030,221	15,408,434	21,940,901
Total liabilities	Before distribution	34,085,569	35,667,076	26,933,115	36,273,151	46,349,835
	After distribution	38,508,067	39,216,300	30,149,000	43,425,533	(註1)57,059,186
Equity attributable to shareholders of the parent		61,040,557	65,787,119	65,773,130	78,617,094	94,913,174
Capital stock		17,915,402	17,909,070	17,898,001	17,897,753	18,197,753
Capital surplus		602,320	611,890	614,244	635,861	1,726,136
Retained earnings	Before distribution	49,574,332	55,212,261	52,623,268	62,813,050	76,168,746
	After distribution	45,151,834	51,663,037	49,407,383	55,660,668	(註1)65,459,395
Other equity interest		(7,021,973)	(7,832,507)	(5,292,649)	(2,682,297)	(1,028,689)
Treasury stock		(29,524)	(113,595)	(69,734)	(47,273)	(150,772)
Non-controlling interest		6,614,623	7,356,578	7,699,832	10,235,489	12,598,887
Total equity	Before distribution	67,655,180	73,143,697	73,472,962	88,852,583	107,512,061
	After distribution	63,232,682	69,594,473	70,257,077	81,700,201	(註1)96,802,710

Note 1: Calculation of the earnings distributions for 2021 have been approved by the Board of Directors on March 29, 2022.

### 6.1.1.2 Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands (Except EPS: NT\$)

Item	Year	Financial Summary for The Last Five Years			
		2017	2018	2019	2020
Operating revenue		159,869,781	164,370,748	135,754,433	117,226,402
Gross profit		25,823,770	21,843,766	16,727,712	29,810,063
Income from operations		19,150,798	14,926,493	9,615,958	22,667,367
Non-Operating Income (Expenses)		(1,888,152)	347,044	647,223	506,215
Income before tax		17,262,645	15,273,537	10,263,181	23,173,582
Net Income from Continuing Operations		12,989,427	10,872,776	7,289,171	16,583,430
Net income (Loss)		12,989,427	10,872,776	7,289,171	16,583,430
Other comprehensive income (income after tax)		112,608	(1,905,009)	(3,033,681)	2,689,049
Total comprehensive income		13,102,035	8,967,767	4,255,490	19,272,479
Net income attributable to shareholders of the parent		11,448,037	9,839,541	6,009,586	13,460,070
Net income attributable to non-controlling interest		1,541,390	1,033,235	1,279,585	3,123,360
Comprehensive income attributable to Shareholders of the parent		11,626,826	8,078,853	3,258,373	16,012,405
Comprehensive income attributable to non-controlling interest		1,475,209	888,914	997,117	3,260,074
Earnings per share		6.58	5.56	3.38	7.54
					12.08

### 6.1.1.3 Non-Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years				
		2017	2018	2019	2020	2021
Current assets		39,825,186	38,588,967	34,559,398	42,220,346	54,341,236
Property, Plant and Equipment		21,459,971	22,512,448	22,198,427	23,146,977	23,811,991
Intangible assets		138,886	118,123	123,423	193,385	197,960
Other assets		21,869,370	24,698,451	26,514,977	34,632,491	43,557,518
Total assets		83,293,413	85,917,989	83,396,225	100,193,199	121,908,705
Current liabilities	Before distribution	19,862,336	12,187,772	8,914,448	11,606,024	15,389,627
	After distribution	24,284,834	15,736,996	12,130,333	18,758,406	(註 1)26,098,978
Non-current liabilities		2,390,520	7,943,098	8,708,647	9,970,081	11,605,904
Total liabilities	Before distribution	22,252,856	20,130,870	17,623,095	21,576,105	26,995,531
	After distribution	26,675,354	23,680,094	20,838,980	28,728,487	(註 1)37,704,882
Capital stock		17,915,402	17,909,070	17,898,001	17,897,753	18,197,753
Capital surplus		602,320	611,890	614,244	635,861	1,726,136
Retained earnings	Before distribution	49,574,332	55,212,261	52,623,268	62,813,050	76,168,746
	After distribution	45,151,834	51,663,037	49,407,383	55,660,668	(註 1)65,459,395
Other equity interest		(7,021,973)	(7,832,507)	(5,292,649)	(2,682,297)	(1,028,689)
Treasury stock		(29,524)	(113,595)	(69,734)	(47,273)	(150,772)
Total equity	Before distribution	61,040,557	65,787,119	65,773,130	78,617,094	94,913,174
	After distribution	56,618,059	62,237,895	62,557,245	71,464,712	(註 1)84,203,823

Note 1: Calculation of the earnings distributions for 2021 have been approved by the Board of Directors on March 29, 2022.

#### 6.1.4 Non-Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands (Except EPS: NT\$)

Item	Year	Financial Summary for The Last Five Years			
		2017	2018	2019	2020
Operating revenue		87,473,503	90,312,673	70,444,793	61,807,152
Gross profit		15,736,808	14,227,353	8,150,442	13,868,766
Income from operations		11,363,042	9,513,418	3,605,640	9,228,686
Non-Operating Income		2,488,177	3,413,037	3,791,881	7,252,690
Income before tax		13,851,220	12,926,455	7,397,521	16,481,376
Net Income from Continuing Operations		11,448,037	9,839,541	6,009,586	13,460,070
Net income (Loss)		11,448,037	9,839,541	6,009,586	13,460,070
Other comprehensive income (income after tax)		178,789	(1,760,688)	(2,751,213)	2,552,335
Total comprehensive income		11,626,826	8,078,853	3,258,373	16,012,405
Earnings per share		6.58	5.56	3.38	7.54
					12.08



**6.1.5 Auditors' Opinions from 2017 to 2021**

Year	Accounting Firm	CPA	Audit Opinion
2017	KPMG Certificated Public Accountants	Yang, Liu-Fong & Lin, Wan-Wan	An Unmodified Opinion
2018	KPMG Certificated Public Accountants	Kuo, Rou-Lan & Lin, Wan-Wan	An Unmodified Opinion
2019	KPMG Certificated Public Accountants	Kuo, Rou-Lan & Lin, Wan-Wan	An Unmodified Opinion
2020	KPMG Certificated Public Accountants	Kuo, Rou-Lan & Lin, Wan-Wan	An Unmodified Opinion
2021	KPMG Certificated Public Accountants	Kuo, Rou-Lan & Lien, Shu-Ling	An Unmodified Opinion

## 6.2 Five-Year Financial Analysis

### 6.2.1 Consolidated Financial Analysis – Based on IFRS

Item		Financial Analysis for the Last Five Years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt Ratio	33.50	32.78	26.82	28.99	30.12
	Ratio of long-term capital to property, plant and equipment	223.76	251.44	242.00	241.87	251.88
Solvency (%)	Current ratio	213.06	262.24	344.03	358.02	396.17
	Quick ratio	155.95	190.37	257.42	279.60	294.78
	Interest earned ratio (times)	25.66	25.00	31.39	181.89	204.14
Operating performance	Accounts receivable turnover (times)	10.97	10.15	10.59	11.10	15.18
	Average collection period	33	36	34	33	24
	Inventory turnover (times)	8.57	8.16	7.30	5.95	7.06
	Accounts payable turnover (times)	19.05	20.25	20.45	13.85	18.67
	Average days in sales	43	45	50	61	52
	Property, plant and equipment turnover (times)	5.09	5.08	3.98	2.72	3.48
	Total assets turnover (times)	1.57	1.51	1.35	0.94	1.16
Profitability	Return on total assets (%)	13.96	10.81	7.23	14.80	18.53
	Return on stockholders' equity (%)	20.95	15.44	9.94	20.43	26.17
	Pre-tax income to paid-in capital (%)	96.36	85.28	57.34	129.48	199.93
	Profit ratio (%)	8.13	6.61	5.37	14.15	14.38
	Earnings per share (NT\$)	6.58	5.56	3.38	7.54	12.08
Cash flow	Cash flow ratio (%)	39.39	39.11	91.77	95.43	77.80
	Cash flow adequacy ratio (%)	138.50	139.22	127.15	112.48	82.59
	Cash reinvestment ratio (%)	7.95	4.48	8.96	10.00	6.08
Leverage	Operating leverage	1.22	1.23	1.37	1.15	1.10
	Financial leverage	1.04	1.04	1.04	1.01	1.00

Analysis of deviation of 2021 vs. 2020 over 20%:

1. Increase in accounts receivable turnover, accounts payable turnover, property, plant and equipment turnover and total assets turnover: Increase in sales revenue in the current period.
2. Increase in return on total assets, return on stockholders' equity, pre-tax income to paid-in capital, and earnings per share: Increase in income in the current period.
3. Decrease in cash flow adequacy ratio and cash reinvestment ratio: Increase in inventory and monetary assets in the current period.

Note: The IFRS formulas for calculating the financial ratios are as follows:

#### 1. Financial Structure

- (1) Debt Ratio = total liabilities/total assets
- (2) Ratio of Long-Term Capital to Property, Plant and Equipment = (total equity + non-current liabilities)/net 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 Earned Ratio = net income before tax and interest expenses/interest expenses

#### 3. Operating Performance

- (1) Accounts Receivable Turnover (including accounts receivable and notes receivable generated from business operations) = net sales/average balance of accounts receivable (including accounts receivable and notes receivable generated from business operations)
- (2) Average Collection Period = 365/accounts receivable turnover
- (3) Inventory Turnover = cost of goods sold/average inventory
- (4) Accounts Payable Turnover (including accounts payable and notes payable generated from business operations) = cost of goods sold/average balance of accounts payable (including accounts payable and notes payable generated from business operations)
- (5) Average days in sales = 365/inventory turnover
- (6) Property, Plant and Equipment Turnover = net sales/average net property, plant and equipment
- (7) Total Assets Turnover = net sales/average total assets

#### 4. Profitability

- (1) Return on Total Assets = [profit after tax + interest expenses \*(1-effective tax rate)]/average total assets
- (2) Return on stockholders' equity = profit after tax/average total equity
- (3) Profit Ratio = profit after tax/net sales
- (4) Earning Per Share = (equity attributable to shareholders of parent - preferred stock dividend)/weighted average of issued shares

#### 5. Cash Flow

- (1) Cash Flow Ratio = net cash flow from operating activities/current liabilities
- (2) Cash Flow Adequacy Ratio = (net cash flow from operating activities for the last five years/(capital expenditure + increase in inventory + cash dividend) for the last five years
- (3) Cash Reinvestment Ratio = (net cash flow from operating activities - cash dividend)/(gross property, plant and equipment + long-term investments + other non-current assets + working capital)

#### 6. Leverage:

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

**6.2.2 Non-Consolidated Financial Analysis – Based on IFRS**

Item		Financial Analysis for the Last Five Years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt Ratio	26.72	23.43	21.13	21.53	22.14
	Ratio of long-term capital to property, plant and equipment	284.44	327.51	335.53	382.72	447.33
Solvency (%)	Current ratio	200.51	316.62	387.68	363.78	353.10
	Quick ratio	151.79	228.32	295.26	299.19	277.93
	Interest earned ratio (times)	87.35	108.37	168.47	356.63	608.97
Operating performance	Accounts receivable turnover (times)	20.06	17.79	14.25	14.29	17.84
	Average collection period	18	21	26	26	20
	Inventory turnover (times)	8.06	7.72	6.80	6.08	7.51
	Accounts payable turnover (times)	18.02	16.34	16.19	11.92	15.50
	Average days in sales	45	47	54	60	49
	Property, plant and equipment turnover (times)	4.08	4.01	3.17	2.67	4.07
	Total assets turnover (times)	1.05	1.05	0.84	0.62	0.80
Profitability	Return on total assets (%)	14.73	11.74	7.14	14.70	19.46
	Return on stockholders' equity (%)	20.46	15.52	9.14	18.64	24.87
	Pre-tax income to paid-in capital (%)	77.31	72.18	41.33	92.09	149.66
	Profit ratio (%)	13.09	10.89	8.53	21.78	22.24
	Earnings per share (NT\$)	6.58	5.56	3.38	7.54	12.08
Cash flow	Cash flow ratio (%)	40.80	65.61	57.66	143.53	26.55
	Cash flow adequacy ratio (%)	119.45	126.95	127.74	134.66	82.82
	Cash reinvestment ratio (%)	5.67	3.07	1.34	10.06	(2.05)
Leverage	Operating leverage	1.23	1.22	1.63	1.23	1.12
	Financial leverage	1.01	1.01	1.01	1.01	1.00

Analysis of deviation of 2021 vs. 2020 over 20%:

1. Increase in interest earned ratio: Increase in income in the current period.
2. Increase in accounts receivable turnover(times), inventory turnover(times), accounts payable turnover(times), property, plant and equipment turnover(times) and total assets turnover(times): Increase in sales revenue and cost of goods sold in the current period.
3. Increase in return on total assets, return on stockholders' equity, pre-tax income to paid-in capital, and earnings per share: Increase in income in the current period.
4. Decrease in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio: Increase in inventory and monetary assets in the current period.

Note: The IFRS formulas for calculating the financial ratios are as follows:

1. Financial Structure

- (1) Debt Ratio = total liabilities/total assets
- (2) Ratio of Long-Term Capital to Property, Plant and Equipment = (total equity + non-current liabilities)/net 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 Earned Ratio = net income before tax and interest expenses/interest expenses

3. Operating Performance

- (1) Accounts Receivable Turnover (including accounts receivable and notes receivable generated from business operations) = net sales/average balance of accounts receivable (including accounts receivable and notes receivable generated from business operations)
- (2) Average Collection Period = 365/accounts receivable turnover
- (3) Inventory Turnover = cost of goods sold/average inventory
- (4) Accounts Payable Turnover (including accounts payable and notes payable generated from business operations) = cost of goods sold/average balance of accounts payable (including accounts payable and notes payable generated from business operations)
- (5) Average days in sales = 365/inventory turnover
- (6) Property, Plant and Equipment Turnover = net sales/average net property, plant and equipment
- (7) Total Assets Turnover = net sales/average total assets

4. Profitability

- (1) Return on Total Assets = [profit after tax + interest expenses \*(1-effective tax rate)]/average total assets
- (2) Return on stockholders' equity = profit after tax/average total equity
- (3) Profit Ratio = profit after tax/net sales
- (4) Earning Per Share = (equity attributable to shareholders of parent - preferred stock dividend)/weighted average of issued shares

5. Cash Flow

- (1) Cash Flow Ratio = net cash flow from operating activities/current liabilities
- (2) Cash Flow Adequacy Ratio = (net cash flow from operating activities for the last five years/(capital expenditure + increase in inventory + cash dividend) for the last five years
- (3) Cash Reinvestment Ratio = (net cash flow from operating activities - cash dividend)/(gross property, plant and equipment + long-term investments + other non-current assets + working capital)

6. Leverage:

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

### 6.3 Supervisor's Review Report

#### Supervisor's Review Report

I hereby state as following:

This proposal is the presentation by the Board of Directors of the Company's 2021 Business Report, Financial Statements (including the Consolidated Financial Statements and Non-Consolidated Financial Statements), and the Profit Allocation Proposal. Of these items, the Financial Statements have been audited by external auditors, and an opinion and report have been issued on the Financial Statements. The aforementioned proposal regarding Business Report, Financial Statements, and the Profit Allocation Proposal have been reviewed and determined to be correct and accurate by the Supervisors. Per the regulations in Article 219 of the Company Act, we hereby submit this report.

To:

2022 General Shareholders' Meeting of CHIMEI CORPORATION.

Supervisor: LIN, JUNG-CHUN

March 29, 2022

## Supervisor's Review Report

I hereby state as following:

This proposal is the presentation by the Board of Directors of the Company's 2021 Business Report, Financial Statements (including the Consolidated Financial Statements and Non-Consolidated Financial Statements), and the Profit Allocation Proposal. Of these items, the Financial Statements have been audited by external auditors, and an opinion and report have been issued on the Financial Statements. The aforementioned proposal regarding Business Report, Financial Statements, and the Profit Allocation Proposal have been reviewed and determined to be correct and accurate by the Supervisors. Per the regulations in Article 219 of the Company Act, we hereby submit this report.

To:

2022 General Shareholders' Meeting of CHIMEI CORPORATION.

Supervisor: YUE LI INVESTMENT CO., LTD.

Representative: WU UENG CHUN

March 29, 2022

**6.4 Consolidated Financial Statements and Report of Independent Auditor's Report**

**Please refer to Appendix A.**

**6.5 Any cash flow difficulties with the Company and its affiliates during the most recent year and as of the date of the Annual Report: None.**



# 7

## **Financial Status, Operating Results and Risk Management**

- 7.1 Analysis of Financial Status
- 7.2 Analysis of Operation Results
- 7.3 Analysis of Cash Flow
- 7.4 Major Capital Expenditures and Impact on Financial Condition
- 7.5 Investment Policy of the Latest Fiscal Year, Reasons for Gains or Losses, Improvements and Investment Plan for the Coming Year
- 7.6 Risk Factors Provide Evaluations and Analysis of the Following Items over the Latest Fiscal Year and as of the Date of the Annual Report
- 7.7 Other Important Matters

## 7. Financial Status, Operating Results and Risk Management

### 7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Current assets	96,700,583	74,699,613	22,000,970	29.45
Property, Plant and Equipment	51,395,631	43,106,296	8,289,335	19.23
Intangible assets	317,765	307,120	10,645	3.47
Other assets	5,447,917	7,012,705	(1,564,788)	(22.31)
Total assets	153,861,896	125,125,734	28,736,162	22.97
Current liabilities	24,408,934	20,864,717	3,544,217	16.99
Non-current liabilities	21,940,901	15,408,434	6,532,467	42.40
Total liabilities	46,349,835	36,273,151	10,076,684	27.78
Capital stock	18,197,753	17,897,753	300,000	1.68
Capital surplus	1,726,136	635,861	1,090,275	171.46
Retained earnings	76,168,746	62,813,050	13,355,696	21.26
Other equity interest	(1,028,689)	(2,682,297)	1,653,608	(61.65)
Treasury stock	(150,772)	(47,273)	(103,499)	218.94
Non-controlling interest	12,598,887	10,235,489	2,363,398	23.09
Total equity	107,512,061	88,852,583	18,659,478	21.00

Reasons for the change:

1. Increase in current assets: mainly due to the increase in cash equivalents, current financial assets at fair value through profit or loss and inventory.
2. Decrease in other assets: mainly due to the decrease in long-term prepaid expenses.
3. Increase in non-current liabilities: mainly due to the increase in long-term borrowings.
4. Increase in capital surplus: mainly due to the issuance of the new shares of employee rights is carried forward based on the difference between the fair value on the issue date and the issue denomination.
5. Increase in retained earnings: mainly due to the increase in net income.
6. Decrease in other equity interest: mainly due to the disposal of financial assets measured at fair value through other comprehensive income profit or loss.
7. Increase in treasury stock: mainly due to the buy back the shares released by the shareholders.
8. Increase in non-controlling interest: mainly due to the increase in net income.

## 7.2 Analysis of Financial Performance

Unit: NT\$ thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Net Sales	178,671,691	117,226,402	61,445,289	52.42
Cost of Sales	132,176,741	87,416,339	44,760,402	51.20
Gross Profit	46,494,950	29,810,063	16,684,887	55.97
Operating Expenses	10,404,281	7,142,696	3,261,585	45.66
Operating Income	36,090,669	22,667,367	13,423,302	59.22
Non-operating Income and Gains	291,552	506,215	(214,663)	(42.41)
Income Before Tax	36,382,221	23,173,582	13,208,639	57.00
Income Tax Benefit (Expense)	10,683,132	6,590,152	4,092,980	62.11
Net Income	25,699,089	16,583,430	9,115,659	54.97
<p>The main reasons for the change of more than 20%:</p> <ol style="list-style-type: none"> <li>1. Increase in net sales: mainly due to the market sustained its strong and regional supply chain imbalances caused by extreme climate, the increase in sales of various products.</li> <li>2. Increase in cost of sales: mainly due to the increase in net sales.</li> <li>3. Increase in gross profit: mainly due to the increase in net sales.</li> <li>4. Increase in operating expenses: mainly due to the increase in export costs in global transportation due to the pandemic.</li> <li>5. Increase in operating income: mainly due to the increase in gross profit.</li> <li>6. Decrease in non-operating income and gains: mainly due to the impairment loss on equipment.</li> <li>7. Increase in income before tax: mainly due to the increase in operating income.</li> <li>8. Increase in income tax benefit (expense): mainly due to the increase in operating income, the income tax expense estimated according to the profit position in the current year increased compared with the previous year.</li> <li>9. Increase in net income: mainly due to the increase in income before tax.</li> </ol>				

## 7.3 Analysis of Cash Flow

### 7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

Item \ Year	2021	Analysis of Cash Flow
Net Cash Provided by Operating Activities	18,772,101	The main reasons are the provision of depreciation benefits and the reasonable control of operating turnover.
Net Cash Used in Investing Activities	(3,261,223)	The main reason is for capital expenditure.
Net Cash Used in Financing Activities	(5,267,000)	The main reason is cash dividend distribution.

**7.3.2 Cash Flow Analysis for the Coming Year**

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year	Estimated Net Cash Flow from Operating Activities	Estimated Cash Outflow	Cash Surplus (Deficit)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
37,429,383	16,000,000	18,000,000	35,429,383	—	—

**7.4 Major Capital Expenditures and Impact on Financial Condition: None.****7.5 Investment Policy of the Latest Fiscal Year, Reasons for Gains or Losses, Improvements and Investment Plan for the Coming Year**

**7.5.1 Major new reinvestment amounted to more than NT\$100 million in this year: None.**

**7.5.2 Investment Plans for Coming Year: In line with the Group's overall development strategy, the development of core businesses is enhanced. Based on the market and production capacity positioning, the new capacity expansion is planned, while continuing to look for industries worthy of investing in. For reinvestment in non-core businesses, the Company will continue to reduce shareholding.**

**7.6 Risk Factors Provide Evaluations and Analysis of the Following Items over the Latest Fiscal Year and as of the Date of the Annual Report****7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures**

A high percentage of raw materials and machinery equipment needed by CHIMEI is imported, and the products are mostly sold internationally; therefore, changes in interest rates, exchange rates, and inflation have meaningful impacts on the Company's revenue.

Other than issuing ordinary corporate bonds, CHIMEI currently has no long-term or short-term bank borrowings. Changes in interest rates will lead to changes in the effective interest rate of borrowings. However, it is expected that interest rates will rise in the future, and the Company has sufficient funds, and thus the low level of borrowing strategy will remain; CHIMEI regularly reviews the interest rates offered by various banks, and has good relationships with them, so the relatively favorable interest rate terms may be obtained. Consequently, the impact of interest rate changes on the Company is limited; CHIMEI will make endeavors to control the sources of the raw materials, and improves the process, to reduce the impact resulting from inflation. Meanwhile, the Company has established the "Operational Procedures for Engaging in Derivative Trading," approved by the board of directors, to effectively manage risks such as interest rate, exchange rate changes and inflation. Based on the Procedures, the engagement in derivative trading of the Company is to hedge risks; the interest rate risk associated with assets or liabilities with a duration of more than one year shall be eliminated to lock in profits or costs.

### 7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company has not engaged in high-risk and high-leverage investments in 2021 and up to the publication date of the annual report. For loaning of funds to others, the Company complies with the "Operational Procedures for Loaning of Funds to Others" established by the board of directors. As of the publication date of the annual report, there has been no fund loaned to others.

For the endorsement/guarantee, the Company complies with the "Operational Procedures for Making of Endorsements/Guarantees" established by the board of directors. Except for the endorsement/guarantee provided to the reinvested subsidiary, Zhangzhou Chimei Chemical Co., Ltd., for the syndicated credit facility, there is no other endorsement/guarantee in the year.

For the procedures for engaging in derivatives trading, the "Operational Procedures for Engaging in Derivative Trading," established and approved by the board of directors is complied with. The tradings include the interest rate swaps and forward contracts, for hedging purposes as the principle.

### 7.6.3 Future Research & Development Projects and Corresponding Budget

Research Projects		Completion	Expected Research Expenditure	Expected Completion Schedule
Product Categories	New products development			
ABS	(1) Development of fixed carbon ABS (2) Development of low mold stain and low shrinkage ABS	—	1,200,000	2022~2023
	(1) Improving the low-temperature impact strength of ASA (2) ASA weather-resistant high-glossy black material			
	Development of MABS for transparent building blocks			
PCR	r-HIPS spec, r-PC/OBP r-PET spec			
	Chemical recycled MMA to manufacture optical sheets			
PCS	(1) ABS with low abnormal sound and PC/ABS specifications (2) Ultra-thin keep plate grade FR PC specification (3) Low-smoke keep plate grade FR PC/ABS specification (4) High chemical and heat resistant FR PC/PBT			
PS	Development of low-carbon and environment friendly HIPS			

Research Projects		Completion	Expected Research Expenditure	Expected Completion Schedule
Product Categories	New products development			
Rubber	TPE reduces glue stuck in the reaction kettle			
	Adjusting catalyst preparation method to optimize HBR			
	LBR for easier glue cutting			
	Adsorbent recycle			
PC	Improving the reactive distillation technology to produce monomers with low impurities and high yields			
	Optimizing polymerization and transesterification technology			
	High viscosity medical grade			
Electronic materials	Re-optimization of optical properties of MS light guide plates			
Specialty Chemicals	Ultra-thick film of highly elastic transparent photoresist, ultra-fine low-dielectric, extremely low-reflection black photoresist			
	Black photoresist of ultra-low temperature process			
	High sensitive microlens array photoresist			
	Ultra-thick film Photoresist			
	Materials for the contrast enhancement layer			
	Color photoresist for low energy-consuming displays			
	Photo-alignment film for automotive LCD			
	Temporary adhesive			
	Liquid crystal polymer materials			

#### 7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company consistently pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. During 2021 and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our operations.

**7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

Based on the existing standardized mass production of PMMA, ABS, PS, MS, and PC products, CHIMEI has actively adjusted its product mix in recent years, increased the weight of high-value chemicals, and continued to reinforce the R&D of special-grade products, to develop value-added products that are higher qualified and higher-valued, for enhancing the competitive advantages, and actively deploy post-consumer recycled materials along with the sustainable development issues.

**7.6.6 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales : None.****7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans : None.****7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans**

CHIMEI's plant expansion plans are all based on market demands, future industry outlooks, as well as its own technical capabilities and financial status, to assess the factory building, and the industry changes and market trends are reviewed from time to time, so the risk exposure is very low.

**7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

Most of the raw materials required by CHIMEI may be obtained in large quantities in the market, and there is no excessive concentration. Moreover, the Company demands huge quantities of specific raw materials, so it has a bargaining advantage.

In terms of sales, since most of CHIMEI's products are standard products, and the market demand is wide, there is no situation where the sales are concentrated to a few large customers.

**7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10% : None.****7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights : None.****7.6.12 Litigation or Non-litigation Matters : None.****7.6.13 Other Major Risks : None.****7.7 Other Important Matters:None.**

# 8

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## Special Disclosure

- 8.1 Summary of Affiliated Companies
- 8.2 Private placement of securities in the most recent fiscal year and as of the date of the Annual Report
- 8.3 Shareholding or disposition of shares of the Company by any subsidiaries in the most recent fiscal year and as of the date of the Annual Report
- 8.4 Other Necessary Supplement



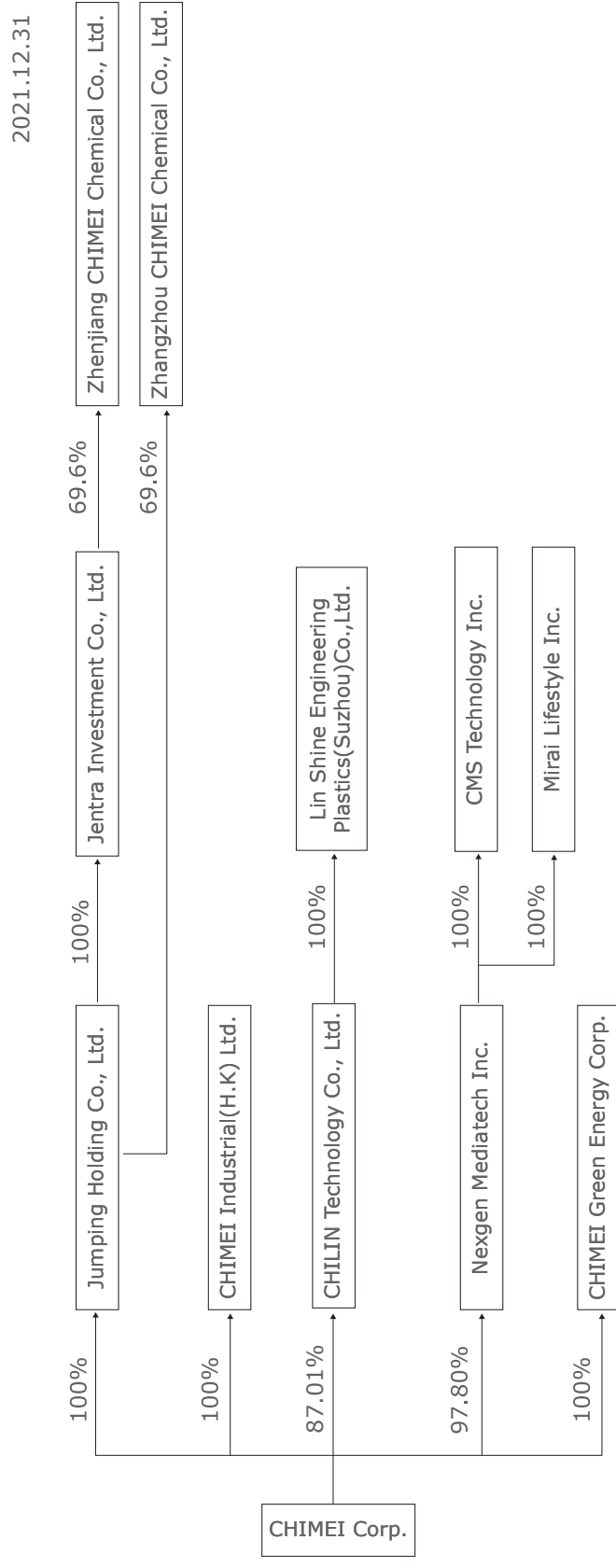
# 8. Special Disclosure

## 8.1 Summary of Affiliated Companies

### 8.1.1 Operational Reports of Affiliated Companies

(1) Summary of Affiliated Companies

A. CMC Affiliated Companies Chart



## B. CMC Subsidiaries

Unit: \$ , As of 12/31/2021

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
JUMPING HOLDING CO., LTD.	2009.11.30	Vistra Corporate Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 211,560,000	Investment activities
Jentra Investment Co., Ltd.	1994.08.03	2120 Carey Ave, Cheyenne, WY 82001, USA	USD 119,000,000	Investment activities
Zhenjiang CHIMEI Chemical Co., Ltd.	1996.03.12	No.88, Hanqiao Road, Zhenjiang New Area, Jiangsu, China	USD 380,850,000	Manufacture, sale and processing of styrene-based products, ABS, AS, PS, PMMA, SSBR and electronic chemicals (light resistance liquid) manufacturing and sales and petrochemical raw materials, finished products storage and transportation, technical testing and analysis services and other business
Zhangzhou CHIMEI Chemical Co., Ltd.	2018.08.09	No.516 Shugang Avenue South, Gulei Town, Gulei Port Economic Development Zone, Zhangzhou, Fujian, China	CNY 2,308,000,000	Production of primary form plastics and synthetic resins, non-photogas polycarbonate (PC).
CHIMEI Industrial(H.K) Ltd.	1992.10.29	25/F, O.t.b. Building 160, Gloucester Road, WAN CHAI, HONG KONG	USD 800,000	Investment activities
CHILIN Technology Co., Ltd.	2011.07.25	No. 1, Wangjia Rd., Xinsi Dist., Tainan City 744092 , Taiwan (R.O.C.)	NTD 800,000,000	Plastic products manufacturing, processing and trading import and export
LIN SHINE OPTRONICS (HK) COMPANY LIMITED(Note 1)	2011.04.26	Room 1405-1406, 14/F, Dominion Centre, 43-59 Queen's Road East, WAN CHAI, HONG KONG	USD 37,960,000	Investment activities
Lin Shine Engineering Plastics(Suzhou)Co.,Ltd.	2005.09.27	No.8 Qiye Road, Suzhou Industrial Park, Jiangsu, China	USD 30,000,000	Engineering plastics manufacturing and sales
Nexgen Mediatech Inc.	2001.12.24	No. 11-2, Rende 4th St., Rende Dist., Tainan City 717022 , Taiwan (R.O.C.)	NTD 1,050,000,000	Home appliance sales and maintenance services
CMS Technology Inc.	2010.08.09	No. 392, Sec. 1, Jinhua Rd., South Dist., Tainan City 702011, Taiwan (R.O.C.)	NTD 50,000,000	Home appliance sales and customer service
Mirai Lifestyle Inc.	2014.10.17	No. 11-2, Rende 4th St., Rende Dist., Tainan City 717022 , Taiwan (R.O.C.)	NTD 200,000,000	Home appliance sales
CHIMEI Green Energy Corp.	2018.07.09	No. 392, Sec. 1, Jinhua Rd., South Dist., Tainan City 702011, Taiwan (R.O.C.)	NTD 1,000,000,000	Renewable energy for its own use

Note 1: LIN SHINE OPTRONICS (HK) COMPANY LIMITED was liquidated in September 2021.

## C. Business Activities and status of duties in CMC Subsidiaries

Company	Business Activities	Relationships to Related Party
JUMPING HOLDING CO., LTD.	Investment activities	Subsidiary of the Company, responsible for global investment in various regions
Jentra Investment Co., Ltd.	Investment activities	Subsidiary of the Company, responsible for global investment in various regions
Zhenjiang CHIMEI Chemical Co., Ltd.	Manufacture, sale and processing of styrene-based products, ABS, AS, PS, PMMA, SSBR and electronic chemicals (light resistance liquid) manufacturing and sales and petrochemical raw materials, finished products storage and transportation, technical testing and analysis services and other business	Strengthen China's marketing access system and enhance customer technical services
Zhangzhou CHIMEI Chemical Co., Ltd.	Production of primary form plastics and synthetic resins, non-photogas polycarbonate (PC).	Strengthen China's marketing access system and enhance customer technical services
CHIMEI Industrial(H.K) Ltd.	Investment activities	Subsidiary of the Company, responsible for global investment in various regions
CHILIN Technology Co., Ltd.	Plastic products manufacturing, processing and trading import and export	Engaged in the manufacture of plastic products, trading and on behalf of dyeing, processing, to provide the company's customers dyeing services
LIN SHINE OPTRONICS (HK) COMPANY LIMITED	Investment activities	—
Lin Shine Engineering Plastics(Suzhou)Co.,Ltd.	Engineering plastics manufacturing and sales	Engaged in the manufacture of plastic products, trading, to provide the company's customers dyeing services
Nexgen Mediatech Inc.	Home appliance sales and maintenance services	—
CMS Technology Inc.	Home appliance sales and customer service	—
Mirai Lifestyle Inc.	Home appliance sales	—
CHIMEI Green Energy Corp.	Renewable energy for its own use	—

## D. Rosters of Directors, Supervisors, and Presidents of CMC's Subsidiaries

As of 12/31/2021

Company	Title	Name	Shareholding	
			Shares (Investment Amount)	% (Investment Holding %)
JUMPING HOLDING CO., LTD.	Representative	CHAO, LIN-YU	211,560,000 shares	100.00%
Jentra Investment Co., Ltd.	Representative	CHAO, LIN-YU	119,000 shares	100.00%
Zhenjiang CHIMEI Chemical Co., Ltd.	Chairman	Jentra Investment Co., Ltd.	USD 267,855,600	69.60%
		Representative: CHAO, LIN-YU	—	—
	Executive Director	Jentra Investment Co., Ltd.	USD 267,855,600	69.60%
		Representative: JAO, CHIEN-JEN	—	—
	Director/President	Jentra Investment Co., Ltd.	USD 267,855,600	69.60%
		Representative: HUNG, LIANG-I	—	—
	Director	Jentra Investment Co., Ltd.	USD 267,855,600	69.60%
		Representative: SU, YAO-TSUNG	—	—
	Director	Jentra Investment Co., Ltd.	USD 267,855,600	69.60%
		Representative: WANG, YAO-CHING	—	—
	Director	Land & Sea Capital Corp.	USD 116,994,400	30.40%
		Representative: YANG PIN JHENG	—	—
	Director	Land & Sea Capital Corp.	USD 116,994,400	30.40%
		Representative: JHOU JHEN MING	—	—
	Supervisor	Jentra Investment Co., Ltd.	USD 267,855,600	69.60%
		Representative: LIN, PI-CHI	—	—
	Supervisor	Land & Sea Capital Corp.	USD 116,994,400	30.40%
		Representative: CHEN JING FU	—	—

Company	Title	Name	Shareholding	
			Shares (Investment Amount)	% (Investment Holding %)
Zhangzhou CHIMEI Chemical Co., Ltd.	Chairman	JUMPING HOLDING CO.,LTD.	CNY 1,606,368,000	69.60%
		Representative: JAO, CHIEN-JEN	—	—
	Director	JUMPING HOLDING CO.,LTD.	CNY 1,606,368,000	69.60%
		Representative: WANG YU CHUAN	—	—
	Director/ President	JUMPING HOLDING CO.,LTD.	CNY 1,606,368,000	69.60%
		Representative: SU, YAO-TSUNG	—	—
	Director	JUMPING HOLDING CO.,LTD.	CNY 1,606,368,000	69.60%
		Representative: HUNG, LIANG-I	—	—
	Director	JUMPING HOLDING CO.,LTD.	CNY 1,606,368,000	69.60%
		Representative: MA, KUEI-KUAN	—	—
	Director	Land & Sea Capital Corp.	CNY 701,632,000	30.40%
		Representative: TSENG JIA SYONG	—	—
CHIMEI Industrial(H.K) Ltd.	Chairman	CHIMEI CORPORATION	USD 800,000	100.00%
		Representative: HSU, CHUN-HUA	—	—
	Director	CHIMEI CORPORATION	USD 800,000	100.00%
		Representative: LIN, JUNG-CHUN	—	—
	Director	CHIMEI CORPORATION	USD 800,000	100.00%
		Representative: CHAO, LIN-YU	—	—
CHILIN Technology Co., Ltd.	Chairman	JAO, CHIEN-JEN	93,105 shares	0.12%
	Director	CHIMEI CORPORATION	69,609,000 shares	87.01%
		Representative: SHI, WEN-LONG	—	—
	Director	CHIMEI CORPORATION	69,609,000 shares	87.01%
		Representative: HSU, CHUN-HUA	15,168 shares	0.02%
	Director	CHAO, LIN-YU	156,485 shares	0.20%
	Supervisor	CHEN, SHIH-HSIEN	—	—

Company	Title	Name	Shareholding	
			Shares (Investment Amount)	% (Investment Holding %)
Lin Shine Engineering Plastics(Suzhou)Co.,Ltd.	Chairman	CHILIN Technology Co., Ltd.	USD 30,000,000	100.00%
		Representative: FANG, CHEN-HSIANG	—	—
	Director	CHILIN Technology Co., Ltd.	USD 30,000,000	100.00%
		Representative: LI, HUNG-CHING	—	—
	Director	CHILIN Technology Co., Ltd.	USD 30,000,000	100.00%
		Representative: HUNG, LIANG-I	—	—
	Supervisor	CHILIN Technology Co., Ltd.	USD 30,000,000	100.00%
		Representative: MO, YA-TING	—	—
Nexgen Mediatech Inc.	Chairman	CHIMEI CORPORATION	102,687,406 shares	97.80%
		Representative: SHI, CHIA-CHANG	—	—
	Director	CHIMEI CORPORATION	102,687,406 shares	97.80%
		Representative: LIN, CHING-SHENG	—	—
	Director	CHIMEI CORPORATION	102,687,406 shares	97.80%
		Representative: JAO, CHIEN-JEN	—	—
	Director	YU, MIN-LE	12,000 shares	0.01%
	Director	LIN, YUN-CHEN	75,000 shares	0.07%
CMS Technology Inc.	Chairman	Nexgen Mediatech Inc.	5,000,000 shares	100.00%
		Representative: SHI, CHIA-CHANG	—	—
	Director	Nexgen Mediatech Inc.	5,000,000 shares	100.00%
		Representative: YU, MIN-LE	—	—
	Director	Nexgen Mediatech Inc.	5,000,000 shares	100.00%
		Representative: WU, HSIAO-YUN	—	—
	Supervisor	Nexgen Mediatech Inc.	5,000,000 shares	100.00%
		Representative: LIN, YUN-CHEN	—	—

Company	Title	Name	Shareholding	
			Shares (Investment Amount)	% (Investment Holding %)
Mirai Lifestyle Inc.	Chairman	Nexgen Mediatech Inc.	20,000,000 shares	100.00%
		Representative: YU, MIN-LE	—	—
	Director	Nexgen Mediatech Inc.	20,000,000 shares	100.00%
		Representative: SHI, CHIA-CHANG	—	—
	Director	Nexgen Mediatech Inc.	20,000,000 shares	100.00%
		Representative: LIU, YUAN-HUNG	—	—
CHIMEI Green Energy Corp.	Chairman	Nexgen Mediatech Inc.	20,000,000 shares	100.00%
		Representative: WU, HSIAO-YUN	—	—
		CHIMEI CORPORATION	100,000,000 shares	100.00%
		Representative: CHAO, LIN-YU	—	—

## (2) Operational Highlights of CMC Subsidiaries

Unit: NT\$ thousands, except EPS (NT\$)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenues	Income (Loss) from Operation	Net Income (Loss)	Basic Earning (Loss) Per Share
JUMPING HOLDING CO., LTD.	6,683,642	35,885,051	138	35,884,913	—	(7,827)	8,781,898	NA
Jentra Investment Co., Ltd.	3,759,469	26,522,715	125	26,522,590	—	(3,297)	8,525,935	NA
Zhenjiang CHIMEI Chemical Co., Ltd.	13,614,485	42,082,289	11,962,035	30,120,254	79,449,933	17,113,081	13,098,121	NA
Zhangzhou CHIMEI Chemical Co., Ltd.	10,157,026	26,033,613	15,789,607	10,244,006	4,332,480	450,317	303,862	NA
CHIMEI Industrial(H.K) Ltd.	25,624	305,638	199	305,439	—	(233)	47,364	NA
CHILIN Technology Co., Ltd.	800,000	2,892,615	564,902	2,327,713	2,279,301	172,031	386,499	4.83
Lin Shine Engineering Plastics(Suzhou)Co.,Ltd.	947,840	1,511,703	762,074	749,629	2,060,193	78,663	75,361	NA
Nexgen Mediatech Inc.	1,050,000	2,174,493	1,002,581	1,171,912	1,806,026	(73,287)	25,813	0.25
CMS Technology Inc.	50,000	63,071	7,789	55,282	35,958	1,304	1,123	0.22
Mirai Lifestyle Inc.	200,000	798,561	569,884	228,677	1,346,435	37,991	26,971	1.35
CHIMEI Green Energy Corp.	1,000,000	1,330,532	328,078	1,002,454	89,205	9,327	6,774	0.07



**8.1.2 Consolidated financial statements of affiliates**

Please refer to Appendix A.

**8.1.3 Affiliation Reports: None.****8.2 Private placement of securities in the most recent fiscal year and as of the date of the Annual Report: None.****8.3 Shareholding or disposition of shares of the Company by any subsidiaries in the most recent fiscal year and as of the date of the Annual Report: None.****8.4 Other Necessary Supplement: None.**

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## Other Supplementary Disclosure

## 9. Other Supplementary Disclosure

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Any Events in 2021 and as of the Date of this Annual Report that Had Material Impacts on Shareholders' Interests or Securities Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.



# Appendix A

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

**CHIMEI CORPORATION AND SUBSIDIARIES****Consolidated Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2021 and 2020**

**Address:** No. 398, Sec. 1, Zhongzheng Rd., Rende Dist., Tainan City , Taiwan  
(R.O.C.)

**Telephone:** (06)266-3000

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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### **Representation Letter**

The entities that are required to be included in the combined financial statements of CHIMEI 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, CHIMEI Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: CHIMEI Corporation

Chairman: Hsu Chun-hua

Date: March 29, 2022



安侯建業聯合會計師事務所

KPMG

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## Independent Auditors' Report

To the Board of Directors of CHIMEI Corporation:

### Opinion

We have audited the consolidated financial statements of CHIMEI Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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 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.

### Other Matters

CHIMEI 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 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 supervisors 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.

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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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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.

The engagement partners on the audit resulting in this independent auditors' report are Rou-Lan Kuo and Shu-Ling Lien.

KPMG

Taipei, Taiwan (Republic of China)  
March 29, 2022

#### **Notes to Readers**

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

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
CHIMEI CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020			December 31, 2021		December 31, 2020		
	Amount	%	Amount	%		Amount	%	Amount	%	
ASSETS										
Current assets:										
1100					Cash and cash equivalents (Note 4 and 6(a))	\$	37,429,383	24	27,219,730	22
1110					Current financial assets at fair value through profit or loss (Note 4 and 6(b))		19,321,203	13	11,928,493	10
1120					Current financial assets at fair value through other comprehensive income (Notes 4 and 6(b))		-	-	3,820,107	3
1170					Notes and accounts receivable (Notes 4, 6(c) and 7)		12,238,312	8	11,298,233	9
1200					Other receivables, net (Notes 4, 6(c) and 7)		139,672	-	111,476	-
130X					Inventories (Notes 4 and 6(c))		22,211,672	14	14,858,575	12
1476					Other current financial assets (Notes 4, 6(m) and 8)		1,509,587	1	2,758,467	2
1479					Other current assets, others (Notes 6(d), (j) and 7)		3,850,754	3	2,704,532	2
							<u>96,700,583</u>	<u>63</u>	<u>74,699,613</u>	<u>60</u>
Non-current assets:										
1517					Non-current financial assets at fair value through other comprehensive income (Notes 4 and 6(b))		2,339,591	2	1,854,487	2
1550					Investments accounted for using equity method (Notes 4 and 6(f))		504,554	-	616,049	-
1600					Property, plant and equipment (Notes 4 and 6(g))		51,395,631	34	43,106,296	34
1755					Right-of-use assets (Notes 4 and 6(h))		1,565,678	1	1,204,951	1
1780					Intangible assets (Notes 4 and 6(i))		317,765	-	307,120	-
1840					Deferred tax assets (Notes 4 and 6(p))		753,835	-	528,133	1
1990					Other non-current assets, others (Notes 6(j) and 8)		284,259	-	2,809,085	2
							<u>57,161,313</u>	<u>37</u>	<u>50,426,121</u>	<u>40</u>
LIABILITIES AND EQUITY										
Current liabilities:										
					Short-term borrowings (Note 6(k))	\$	450,000	-	1,105,238	1
					Current financial liabilities at fair value through profit or loss (Notes 4 and 6(b))		-	-	79,453	-
					Notes and accounts payable (Note 7)		7,021,731	5	7,135,824	6
					Other payables (Note 7)		8,933,898	6	7,361,009	6
					Current tax liabilities (Note 4 and 6(p))		4,783,296	3	3,327,423	3
					Current lease liabilities (Note 4 and 6(n))		130,505	-	93,275	-
					Other current liabilities, others (Notes 4, 6(t) and 7)		3,089,504	2	1,762,495	1
							<u>24,408,934</u>	<u>16</u>	<u>20,864,717</u>	<u>17</u>
Non-Current liabilities:										
					Bonds payable (Notes 4 and 6(m))		5,000,000	3	5,000,000	4
					Long-term borrowings (Note 6(l))		10,032,547	7	5,177,383	4
					Deferred tax liabilities (Notes 4 and 6(p))		5,884,260	4	4,159,723	3
					Non-current lease liabilities (Notes 4 and 6(n))		133,052	-	160,265	-
					Net defined benefit liability, non-current (Notes 4 and 6(o))		749,568	-	788,916	1
					Other non-current liabilities, others (Note 7)		141,474	-	122,147	-
							<u>21,940,901</u>	<u>14</u>	<u>15,408,434</u>	<u>12</u>
					Total liabilities		<u>46,349,835</u>	<u>30</u>	<u>36,273,151</u>	<u>29</u>
Equity attributable to owners of parent:										
					Ordinary shares (Note 6(q))		18,197,753	12	17,897,753	14
					Capital surplus (Note 6(q))		1,726,136	1	635,861	1
					Retained earnings (Note 6(q))		76,168,746	50	62,813,050	50
					Other equity (Note 6(q))		(1,028,689)	(1)	(2,682,297)	(2)
					Treasury shares (Note 6(q))		(150,772)	-	(47,273)	-
					Total equity attributable to owners of parent:		94,913,174	62	78,617,094	63
					Non-controlling interests (Note 6(q))		12,598,887	8	10,235,489	8
					Total equity		<u>107,512,061</u>	<u>70</u>	<u>88,852,583</u>	<u>71</u>
TOTAL LIABILITIES AND EQUITY										
						\$	<u>153,861,896</u>	<u>100</u>	<u>125,125,734</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CHIMEI 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)**

		For the years ended December 31			
		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6(t) and 7)	\$ 178,671,691	100	117,226,402	100
5000	Operating costs (Note 6(e))	132,176,741	74	87,416,339	75
	Gross profit from operations	46,494,950	26	29,810,063	25
	Operating expenses:(Notes 4, 6(b), (u) and 7)				
6100	Selling expenses	7,229,988	4	4,244,542	3
6200	Administrative expenses	2,041,339	1	1,915,754	2
6300	Research and development expenses	1,112,632	1	982,781	1
6450	Expected credit loss (gain)	20,322	-	(381)	-
		10,404,281	6	7,142,696	6
	Net operating income	36,090,669	20	22,667,367	19
	Non-operating income and expenses:				
7100	Interest income (Note 6(v))	621,307	-	416,692	1
7010	Other income (Notes 6(v) and 7)	346,057	-	182,939	-
7020	Other gains and losses (Notes 6(v) and 7)	(570,608)	-	(33,639)	-
7050	Finance costs (Notes 6(g), 6(n), 6(v) and 7)	(179,095)	-	(128,112)	-
7060	Share of profit of associates and joint ventures accounted for using equity method (Notes 6(f))	73,891	-	68,335	-
		291,552	-	506,215	1
7900	Profit before tax	36,382,221	20	23,173,582	20
7950	Less: Income tax expenses (Notes 4 and 6(p))	10,683,132	6	6,590,152	6
	Profit	25,699,089	14	16,583,430	14
8200	Other comprehensive income (loss):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	(28,881)	-	(67,416)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	2,117,933	1	2,211,153	2
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(6,639)	-	(12,372)	-
		2,095,691	1	2,156,109	2
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(233,648)	-	508,768	-
8368	Gains (losses) on hedging instrument	-	-	6,649	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6,430	-	17,523	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		(227,218)	-	532,940	-
	Other comprehensive income, net of income tax	1,868,473	1	2,689,049	2
8500	Total comprehensive income	\$ 27,567,562	15	19,272,479	16
	Profit attributable to:				
8610	Profit attributable to owners of parent	\$ 21,576,838	12	13,460,070	11
8620	Profit attributable to non-controlling interests	4,122,251	2	3,123,360	3
		\$ 25,699,089	14	16,583,430	14
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	\$ 23,505,217	13	16,012,405	13
8720	Comprehensive income, attributable to non-controlling interests	4,062,345	2	3,260,074	3
		\$ 27,567,562	15	19,272,479	16
	Earnings per share (Note 6(s))				
	Basic earnings per share (NT dollars)	\$ 12.08		7.54	
	Diluted earnings per share (NT dollars)	\$ 12.04		7.52	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
CHIMEI CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Other equity	
	Share capital			Retained earnings			Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income				Total equity attributable to owners of parent	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on transition of foreign financial statements	Gains (losses) on hedging instruments	Unearned compensation	Treasury shares	Non-controlling interests	Total equity	Total equity
<b>Balance on January 1, 2020</b>	\$ 17,898,001	614,244	13,405,589	7,587,177	31,630,502	(1,311,979)	(3,970,407)	(3,614)	(69,734)	7,699,832	63,773,130	73,472,962
Profit for the period	-	-	-	-	13,460,070	-	-	-	-	-	13,460,070	16,583,430
Other comprehensive income (loss) for the period	-	-	-	-	(54,403)	387,970	2,212,119	6,649	-	2,552,335	136,714	2,689,049
Total comprehensive income for the period	-	-	-	-	-	387,970	2,212,119	6,649	-	2,552,335	136,714	2,689,049
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	96,023	-	(96,023)	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(3,215,885)	-	-	-	-	-	(3,215,885)	(3,215,885)
Reversal of special reserve	-	-	-	(2,298,142)	2,298,142	-	-	-	-	-	-	-
Other changes in capital surplus:												
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	16	-	-	-	-	-	-	-	-	16	16
Purchase of treasury share	-	-	-	-	-	-	-	-	(63,952)	-	(63,952)	(63,952)
Share-based payments	(248)	21,601	-	-	-	-	-	3,614	86,413	-	111,380	111,380
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(724,417)	-	(724,417)
<b>Balance on December 31, 2020</b>	17,897,753	635,861	13,501,612	5,289,035	44,022,403	(924,009)	(1,738,288)	-	(47,273)	10,235,489	78,617,094	88,852,583
Profit for the period	-	-	-	-	21,576,838	-	-	-	-	-	21,576,838	25,699,089
Other comprehensive income (loss) for the period	-	-	-	-	(22,800)	(167,730)	2,118,909	-	-	1,928,379	1,868,473	1,868,473
Total comprehensive income (loss) for the period	-	-	-	-	-	(167,730)	2,118,909	-	-	1,928,379	1,868,473	1,868,473
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	1,340,567	-	(1,340,567)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,606,738)	2,606,738	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(7,152,382)	-	-	-	-	-	(7,152,382)	(7,152,382)
Other changes in capital surplus:												
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(72)	-	-	-	-	-	-	-	-	(72)	(72)
Purchase of treasury share	-	-	-	-	-	-	-	-	(202,802)	-	(202,802)	(202,802)
Share-based payments	300,000	1,090,347	-	-	-	-	-	(1,343,531)	99,303	-	146,119	146,119
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(1,045,960)	-	1,045,960	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance on December 31, 2021</b>	\$ 18,197,753	1,726,136	14,842,179	2,682,297	58,644,270	(1,091,739)	1,406,581	(1,343,531)	(150,772)	12,598,887	94,913,174	107,512,061

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**CHIMEI CORPORATION AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the years ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 36,382,221	23,173,582
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expense	3,356,481	3,062,627
Amortization expense	263,316	236,328
Expected credit loss (gain)	20,322	(381)
Interest expense	179,095	128,112
Interest income	(621,307)	(416,692)
Dividend income	(286,500)	(104,378)
Share-based payment transactions	47,113	25,227
Share of profit of associates and joint ventures accounted for using equity method	(73,891)	(68,335)
Gain on disposal of property, plant and equipment	(422,545)	(337,605)
Impairment loss on non-financial assets	837,134	256,049
Property, plant and equipment transferred to expenses	254	291,737
Others	(480)	(346)
<b>Total adjustments to reconcile profit</b>	<b>3,298,992</b>	<b>3,072,343</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Financial assets at fair value through profit or loss, mandatorily measured at fair value	(7,439,520)	(4,828,492)
Notes and accounts receivable, net	(1,007,893)	(1,342,071)
Inventories	(7,342,330)	(484,233)
Other current assets	(1,152,111)	(919,545)
<b>Total changes in operating assets</b>	<b>(16,941,854)</b>	<b>(7,574,341)</b>
<b>Changes in operating liabilities:</b>		
Financial liabilities held for trading	(79,054)	78,193
Notes and accounts payable	(92,279)	1,598,356
Other payables	1,929,794	1,049,952
Other current liabilities	1,315,958	944,227
Net defined benefit liability, non-current	(68,229)	(65,737)
<b>Total changes in operating liabilities</b>	<b>3,006,190</b>	<b>3,604,991</b>
<b>Total changes in operating assets and liabilities</b>	<b>(13,935,664)</b>	<b>(3,969,350)</b>
<b>Total adjustments</b>	<b>(10,636,672)</b>	<b>(897,007)</b>
Cash inflow generated from operations	25,745,549	22,276,575
Interest received	546,327	412,595
Dividends received	303,906	124,062
Interest paid	(119,570)	(114,125)
Income taxes paid	(7,704,111)	(2,788,000)
<b>Net cash flows from operating activities</b>	<b>18,772,101</b>	<b>19,911,107</b>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	17,391	13,200
Proceeds from disposal of financial assets at fair value through other comprehensive income	5,435,545	-
Proceeds from capital reduction of investments accounted for using equity method	166,570	-
Acquisition of property, plant and equipment	(12,037,081)	(10,340,646)
Proceeds from disposal of property, plant and equipment	805,134	560,549
Acquisition of intangible assets	(51,739)	(79,534)
Other non-current assets	2,402,957	(1,857,872)
<b>Net cash flows used in investing activities</b>	<b>(3,261,223)</b>	<b>(11,704,303)</b>
<b>Cash flows from (used in) financing activities:</b>		
Short-term borrowings	(650,168)	(4,451,505)
Proceeds from long-term borrowings	4,886,087	5,080,569
Payment of lease liabilities	(529,113)	(130,976)
Other non-current liabilities	(22,696)	(130,716)
Cash dividends paid	(7,152,382)	(3,215,885)
Payments to acquire treasury shares	(202,802)	(63,952)
Treasury shares sold to employees	99,303	86,413
Change in non-controlling interests	(1,695,229)	(714,060)
<b>Net cash flows used in financing activities</b>	<b>(5,267,000)</b>	<b>(3,540,112)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(34,225)</b>	<b>33,856</b>
<b>Net increase in cash and cash equivalents</b>	<b>10,209,653</b>	<b>4,700,548</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>27,219,730</b>	<b>22,519,182</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 37,429,383</b>	<b>27,219,730</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CHIMEI 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**

CHIMEI Corporation (the “Company”) was incorporated on January 11, 1960 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The Company's registered office is at No. 398, Sec. 1, Zhongzheng Rd., Rende Dist., Tainan City 717010, Taiwan (R. O. C.). The major business activities of the Company and its subsidiaries (together referred to as the “Group”) are the production and sale of ABS resin, AS resin, PS resin, MS resin, PMMA resin, PC resin, Composite material (including post-consumer recycled resin), synthetic rubber, electronic materials, specialty chemicals, etc. Please refer to Note 4(c) for details.

**(2) Approval date and procedures of the consolidated financial statements:**

These consolidated financial statements were authorized for issue by the Board of Directors on March 29, 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, 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”

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the Financial supervisory commission, R.O.C. (hereinafter referred to as "IFRSs endorsed by the FSC").

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) Hedging financial instruments are measured at fair value;
- 4) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 4(p).

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Share holding		Note
			December 31, 2021	December 31, 2020	
The Company	CHIMEI Industrial(H.K) Ltd.	General investment	100.00 %	100.00 %	
"	Jumping Holding Co., Ltd.	General investment	100.00 %	100.00 %	
"	CHILIN Technology Co.,	Manufacture, processing, trading, importing, and exporting of plastic products	87.01 %	88.01 %	
"	Nexgen Mediatech Inc.	Manufacture and sale of electronic appliances and machinery	97.80 %	97.80 %	
"	CHIMEI Green Energy Corp.	Power generation industry	100.00 %	100.00 %	
CHILIN Technology Co., Ltd.	Lin Shine Optronics (HK) Company Ltd.	General investment	- %	100.00 %	Deregistered in September 2021.
"	Lin Shine Engineering Plastics(Suzhou)Co.,Ltd.	Manufacture and sale of engineering plastics	100.00 %	100.00 %	

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of investor	Name of subsidiary	Principal activity	Share holding		Note
			December 31, 2021	December 31, 2020	
Nexgen Mediatech Inc.	CMS Technology Inc.	Sale and repair of electrical appliances	100.00 %	100.00 %	
"	Mirai Lifestyle Inc.	Distribution and sale of home appliances	100.00 %	100.00 %	Became an investee of Nexgen Mediatech in May 2020.
Jumping Holding Co., Ltd.	Jentra Investment Co., Ltd.	General investment	100.00 %	100.00 %	
"	Zhangzhou CHIMEI Chemical Co., Ltd.	Manufacture of plastic materials in primary forms and synthetic resin	69.60 %	69.60 %	
Jentra Investment Co., Ltd.	Zhenjiang CHIMEI Chemical Co., Ltd.	Manufacture, sale, and processing of plastic products	69.60 %	69.60 %	

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate on that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate on the date of the transaction.

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

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

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group 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 issuing equity instruments do not affect its classification.

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(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.

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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.

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 is recognized in profit or loss on the date on which the Group's right to receive payment is established.

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. 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) Business model assessment

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Impairment of financial assets

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

The Group measures 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 accounts receivable are always measured at an amount equal to lifetime ECL.

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

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 Group is exposed to credit risk.

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.

On 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. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;  
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written 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.

6) 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.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) 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.

5) 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.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Group designates certain hedging instruments (which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk) as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

(Continued)



**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under 'other equity— gains (losses) on hedging instruments, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Furthermore, if the Group expects that some or all of the loss accumulated in other equity will not be recovered in the future, that amount is immediately reclassified to profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. The discontinuation is accounted for prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

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

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.

(Continued)

## CHIMEI CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 actual significant influence.

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 discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) (or retained earnings) when the equity method is discontinued. If the Group's ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(j) 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.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(ii) Subsequent expenditure

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

(iii) 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 is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings	2 years~ 60 years
2) Machinery	2 years~ 30 years
3) Other equipment	1 year~ 20 years

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

(k) 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 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.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a 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 has elected not to recognize right-of-use assets and lease liabilities for short-term leases of equipment, warehouses, and photocopiers etc. and lease of low-value assets. Instead, the Group recognized the 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.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

(l) Intangible assets

(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 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) Other intangible assets | 1 year~ 10 years |
|----------------------------|------------------|

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

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(m) Impairment of 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. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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.

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.

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present 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 warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Revenue from contracts with customers

(i) Revenue from contracts with customers

1) Sale of goods

The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs at the port when the products have been loaded on board, 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, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group often offers volume discounts to its customers. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

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.

2) 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.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(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.

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## CHIMEI CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date on the Board of Directors passed the record date of capital increase.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) Income taxes

Income taxes comprise 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 are 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 are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of 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 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 on each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

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.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (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 to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(s) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired on the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(t) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation and restricted employee stock.

(u) 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 make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

In preparing these consolidated financial statements, in conformity with the IFRSs endorsed by the FSC, management has made 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 continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

The Group's assumptions and estimation uncertainties do not include the information on a significant risk of resulting in a material adjustment within the next financial year.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash on hand	\$ 870	1,014
Checking account deposits	416	509
Demand deposits	23,953,198	18,361,250
Foreign currency deposits	4,127,993	3,167,394
Time deposits	3,617,000	2,321,094
Cash equivalents	<u>5,729,906</u>	<u>3,368,469</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u><u>\$ 37,429,383</u></u>	<u><u>27,219,730</u></u>

Please refer to note 6(x) for the interest rate risk, and sensitivity analysis of the financial assets of the Group.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (b) Financial assets and liabilities at fair value through profit or loss, Financial assets at fair value through other comprehensive income, and financial assets and liabilities for hedging

- (i) Financial assets and liabilities at fair value through profit or loss:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Mandatorily measured at fair value through profit or loss:		
Non-Derivative Financial Assets		
Beneficiary certificate–open-ended fund	\$ 197,482	-
Bond investment	13,240,887	4,054,680
Structured deposits	5,875,728	7,873,813
Derivative instruments not used for hedging		
Forward exchange contracts	7,106	-
<b>Total</b>	<b>\$ 19,321,203</b>	<b>11,928,493</b>
Held-for-trading financial liabilities:		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ -	12,077
Cross-currency interest rate swap contracts	-	67,376
	<b>\$ -</b>	<b>79,453</b>

The Group utilized derivative financial instruments to hedge currency risk arising from its operating, financing and investing activities. As of December 31, 2021 and 2020, the derivative instruments not qualified for hedge accounting were recognized as financial assets and liabilities held for trading as follows:

- 1) Financial assets

	<b>December 31, 2021</b>		
	<b>Amount (in thousands)</b>	<b>Currency</b>	<b>Maturity period</b>
Forward exchange contracts	<b>USD 54,000</b>	USD against TWD	2022.01.24~2022.03.24

- 2) Financial liabilities

	<b>December 31, 2020</b>		
	<b>Amount (in thousands)</b>	<b>Currency</b>	<b>Maturity period</b>
Forward exchange contracts	<b>USD 33,000</b>	USD against TWD	2021.01.06~2021.02.04

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<b>December 31, 2020</b>					
	<b>Amount</b>	<b>Contract</b>	<b>Interest</b>	<b>Interest rate for</b>	<b>Swap</b>
	<b>(in thousands)</b>	<b>duration</b>	<b>rate for</b>	<b>the receive leg</b>	<b>period</b>
	<b>USD</b>		<b>the pay leg</b>		
Cross-currency interest rate swap contracts	<b>30,000</b>	2020.05~ 2021.04	2.55%	30-day LIBOR+1.30%	1 year

- (ii) Financial assets at fair value through other comprehensive income, current and non-current:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Equity investments at fair value through other comprehensive income		
Stocks of listed companies-current	\$ -	3,820,107
Stocks of unlisted companies-non-current	<u>2,339,591</u>	<u>1,854,487</u>
Total	<u><b>\$ 2,339,591</b></u>	<u><b>5,674,594</b></u>

- 1) Equity investments at FVOCI

The Group invested in the aforementioned equity securities for long-term strategic investments rather than trading. Therefore, these equity securities have been designated as at fair value through other comprehensive income.

For the years ended December 31, 2021 and 2020, the Group recognized \$286,498 and \$104,374 respectively as dividend income resulting from its investments in equity instruments designated at fair value through other comprehensive income.

For the year ended December 31, 2021, the Group sold its financial assets at fair value through other comprehensive income, and the fair value thereof amounted to \$5,435,535 at the time of disposal. The accumulated losses on disposal amounted to \$1,045,960, which have been transferred from other equity to retained earnings. During the year ended December 31, 2020, no strategic investment was disposed of, and there was no transfer of any cumulative gains or losses within equity during the period then ended.

- 2) For credit risk and market risk, please refer to note 6(x).

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Financial assets (liabilities) for hedging

1) Cash flow hedges

Due to the changes in market rate of interest and exchange rate, the Group's interest payable on loans in the US dollar may experience fluctuations in the future; to hedge the uncertainty of future cash flows, the Group has entered into cross currency swap contracts.

Item	For the years ended December 31,	
	2021	2020
Recognized in other comprehensive income for the year	\$ -	6,649

(iv) None of the above-mentioned financial assets of the Group has been pledged as collateral.

(c) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 2,466,750	4,175,365
Accounts receivable	9,848,781	7,180,570
Less: loss allowance	(77,219)	(57,702)
	<u>\$ 12,238,312</u>	<u>11,298,233</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowances were determined as follows:

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 12,283,455	0.00%~1.08%	77,001
60 days past due	30,298	0.00%~1.08%	198
61 to 90 days past due	1,774	1.02%	16
More than 120 days past due	4	1.00%	4
	<u>\$ 12,315,531</u>		<u>77,219</u>

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 11,306,681	0.00%~1.25%	56,502
1 to 60 days past due	48,435	0.00%~1.25%	401
61 to 90 days past due	20	0.00%	-
More than 120 days past due	799	99.87%~100%	799
	<u>\$ 11,355,935</u>		<u>57,702</u>

The movements in the allowance for notes and accounts receivable were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 57,702	58,823
Impairment losses recognized (reversed)	20,322	(381)
Amounts written off	(805)	(737)
Foreign exchange loss	-	(3)
Balance at December 31	<u>\$ 77,219</u>	<u>57,702</u>

As of December 31, 2021 and 2020, none of the Group's notes and accounts receivable were pledged as collateral for borrowings.

(d) Other receivables

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Other receivables	<u>\$ 139,672</u>	<u>111,476</u>

Based on historical experience, the aforementioned other receivables were not expected to incur any lifetime ECLs resulting from default events; therefore, the ECL was estimated at zero.

For further credit risk information, please refers to Note 6(x).

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(e) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Raw materials	\$ 8,614,678	5,153,888
Consignment inventories	386,180	11,358
Supplies	258,455	303,388
Work in process	207,696	187,094
Semi-finished goods	2,149,735	1,508,988
Finished goods	9,143,226	6,127,373
Inventory in-transit	649,018	815,472
Merchandise	802,684	751,014
Total	<b>\$ 22,211,672</b>	<b>14,858,575</b>

For the years ended December 31, 2021 and 2020 the details of cost of goods sold were as follows:

	<b>For the years ended December 31, 2021</b>	<b>2020</b>
Cost of goods sold	\$ 131,428,154	86,739,282
Losses (gains) on inventory valuation, disposal of scrapping and obsolescence	(4,318)	126,965
Revenue from sale of scrap and waste	(113,073)	(100,641)
Loss on physical inventory	45	32
Loss on work stoppages	860,293	645,940
Other operating costs	5,640	4,761
	<b>\$ 132,176,741</b>	<b>87,416,339</b>

For the year ended December 31, 2021 the original factors that caused the loss disappeared due to disposals of inventory, increasing the net realizable value of inventory, which was recognized as a reduction from operating costs.

As of December 31, 2021 and 2020, none of the above-mentioned inventories of the Group has been pledged as collateral.

(f) Investments accounted for using equity method

The investments accounted for using the equity method on the reporting date were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Associates	<b>\$ 504,554</b>	<b>616,049</b>

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Associates

The Group's financial information for investments in individually insignificant associates accounted for using equity method at the reporting date was as follows. These financial information are included in the consolidated financial statements:

	December 31, 2021	December 31, 2020
Carrying amount of individually insignificant associates' equity	\$ <u>504,554</u>	<u>616,049</u>
	<u>For the years ended December 31,</u>	<u>2021</u>
Attributable to the Group:		<u>2020</u>
Profit from continuing operations	\$ 73,891	68,335
Other comprehensive income	<u>6,430</u>	<u>17,523</u>
Total comprehensive income	\$ <u>80,321</u>	<u>85,858</u>

(ii) Pledged investments

As of December 31, 2021 and 2020, none of the Group's investments accounted for using equity method were pledged as collateral.

(g) Property, plant, and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2021 and 2020 were as follows:

	Land	Building and construction	Machinery and equipment	Other facilities	Equipment to be inspected and construction in progress	Total
Cost or deemed cost:						
Balance on January 1, 2021	\$ 12,091,778	16,247,379	62,741,774	5,822,207	12,842,251	109,745,389
Additions	1,680	844,482	1,440,550	56,172	10,576,578	12,919,462
Disposal	(302,364)	(43,774)	(3,773,334)	(130,905)	(15,827)	(4,266,204)
Reclassification	-	5,603,876	10,756,229	893,170	(17,299,170)	(45,895)
Other	-	-	-	-	(145,928)	(145,928)
Effect of movements in exchange rates	-	(33,341)	(110,921)	(13,567)	(56,515)	(214,344)
Balance on December 31, 2021	\$ <u>11,791,094</u>	<u>22,618,622</u>	<u>71,054,298</u>	<u>6,627,077</u>	<u>5,901,389</u>	<u>117,992,480</u>
Balance on January 1, 2020	\$ 11,966,424	15,309,198	59,788,383	5,348,532	6,079,462	98,491,999
Additions	238,242	77,706	64,462	53,302	12,202,083	12,635,795
Disposal	(145,018)	(83,078)	(960,046)	(196,216)	(6,236)	(1,390,594)
Other	-	-	-	-	(457,053)	(457,053)
Reclassification	32,130	871,222	3,604,264	585,788	(5,128,186)	(34,782)
Effect of movements in exchange rates	-	72,331	244,711	30,801	152,181	500,024
Balance on December 31, 2020	\$ <u>12,091,778</u>	<u>16,247,379</u>	<u>62,741,774</u>	<u>5,822,207</u>	<u>12,842,251</u>	<u>109,745,389</u>

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
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	<b>Land</b>	<b>Building and construction</b>	<b>Machinery and equipment</b>	<b>Other facilities</b>	<b>Equipment to be inspected and construction in progress</b>	<b>Total</b>
Depreciation and impairment losses:						
Balance on January 1, 2021	\$ -	9,124,442	53,184,375	4,330,276	-	66,639,093
Depreciation for the year	-	662,645	2,073,024	441,792	-	3,177,461
Impairment loss	-	-	728,895	42,454	-	771,349
Disposals	-	(33,409)	(3,723,173)	(127,033)	-	(3,883,615)
Effect of movements in exchange rates	-	(16,065)	(81,111)	(10,263)	-	(107,439)
Balance on December 31, 2021	<u>\$ -</u>	<u>9,737,613</u>	<u>52,182,010</u>	<u>4,677,226</u>	<u>-</u>	<u>66,596,849</u>
Balance on January 1, 2020	\$ -	8,547,165	51,797,103	4,055,420	-	64,399,688
Depreciation for the year	-	599,047	1,876,594	441,706	-	2,917,347
Impairment loss	-	-	255,255	794	-	256,049
Disposals	-	(55,996)	(921,853)	(189,790)	-	(1,167,639)
Reclassification	-	-	1,105	(1,105)	-	-
Effect of movements in exchange rates	-	34,226	176,171	23,251	-	233,648
Balance on December 31, 2020	<u>\$ -</u>	<u>9,124,442</u>	<u>53,184,375</u>	<u>4,330,276</u>	<u>-</u>	<u>66,639,093</u>
Carrying amounts:						
Balance on December 31, 2021	<u>\$ 11,791,094</u>	<u>12,881,009</u>	<u>18,872,288</u>	<u>1,949,851</u>	<u>5,901,389</u>	<u>51,395,631</u>
Balance on January 1, 2020	<u>\$ 11,966,424</u>	<u>6,762,033</u>	<u>7,991,280</u>	<u>1,293,112</u>	<u>6,079,462</u>	<u>34,092,311</u>
Balance on December 31, 2020	<u>\$ 12,091,778</u>	<u>7,122,937</u>	<u>9,557,399</u>	<u>1,491,931</u>	<u>12,842,251</u>	<u>43,106,296</u>

In 2018, the Group's Board of Directors resolved to dispose of Land Lot No. 64-1 at Xinjing Sec. Xinshi Dist., Tainan City, for which a contract was entered into during 2018, with a contract sum of \$569,432. In March 2021, the land title has been transferred and the contract sum has been fully collected. In 2021, the gain on disposal, amounting to \$272,626, was recognized.

In 2020, the Group's Board of Directors resolved to dispose of nine land lots at Xinjing Sec., Xinshi Dist., Tainan City, for which a contract was entered into during 2021 with a contract sum of \$1,656,618, of which the amount of \$993,971 has been received in advance and recognized as other current liabilities.

For the years ended December 31, 2021 and 2020, the Group's interest expense amounted to \$426,247 and \$229,767 respectively, of which capitalized interest on fixed assets acquired (unfinished construction and prepayments for business facilities) amounted to \$247,152 and \$101,655; the interest rates were 4.0750% for 2021 and 0.3384% to 4.1750% for 2020.

The Group assessed the recoverable amount in respect of fixed assets. As a portion of the assets will not bring economic benefit in the future, the Group recognized impairment losses of \$771,349 and \$256,049 for 2021 and 2020, respectively. As a result of fixed assets sold, accumulated impairment losses decreased by \$352,214 and \$86,782, respectively. As of December 31, 2021 and 2020, the accumulated impairment losses amounted to \$3,652,484 and \$3,234,634, respectively; the remaining portion was not reversed as there was no evidence that the impairment losses recognized in respect of the asset would decrease.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
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As the Group does not qualified as an agricultural entity, it is unable to register ownership and tax numbers for its agricultural land and the buildings thereon, for which it has entered into a contract with a natural person for registration in his/her name. All related documents have been kept by the Group as a protective measure.

As of December 31, 2021 and 2020, none of the Group's property, plant and equipment has been pledged as collateral.

(h) Right-of-use assets

The movements in the cost and depreciation of the leased land, buildings, machinery and equipment, transportation equipment and others were as follows:

	<u>Land</u>	<u>Building</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Other</u>	<u>Total</u>
Right-of-use assets cost:						
Balance on January 1, 2021	\$ 936,569	47,958	2,107	5,470	498,306	1,490,410
Additions	438,402	31,599	-	5,110	80,479	555,590
Reductions	-	(23,256)	-	(3,773)	-	(27,029)
Effect of movements in exchange rates	(5,583)	-	-	-	-	(5,583)
Balance on December 31, 2021	<u>\$ 1,369,388</u>	<u>56,301</u>	<u>2,107</u>	<u>6,807</u>	<u>578,785</u>	<u>2,013,388</u>
Balance on January 1, 2020	\$ 925,079	43,780	2,107	5,470	500,745	1,477,181
Additions	-	6,197	-	-	-	6,197
Reductions	-	(2,139)	-	-	(2,745)	(4,884)
Lease modification	-	120	-	-	306	426
Effect of movements in exchange rates	11,490	-	-	-	-	11,490
Balance on December 31, 2020	<u>\$ 936,569</u>	<u>47,958</u>	<u>2,107</u>	<u>5,470</u>	<u>498,306</u>	<u>1,490,410</u>
Accumulated right-of-use assets depreciation:						
Balance on January 1, 2021	\$ 29,623	19,898	1,404	3,884	230,650	285,459
Depreciation for the year	42,572	11,803	703	1,550	122,392	179,020
Reductions	-	(12,819)	-	(3,773)	-	(16,592)
Effect of movements in exchange rates	(177)	-	-	-	-	(177)
Balance on December 31, 2021	<u>\$ 72,018</u>	<u>18,882</u>	<u>2,107</u>	<u>1,661</u>	<u>353,042</u>	<u>447,710</u>
Balance on January 1, 2020	\$ 14,630	10,198	702	1,754	114,565	141,849
Depreciation for the year	14,535	10,903	702	2,130	117,010	145,280
Reductions	-	(1,203)	-	-	(925)	(2,128)
Effect of movements in exchange rates	458	-	-	-	-	458
Balance on December 31, 2020	<u>\$ 29,623</u>	<u>19,898</u>	<u>1,404</u>	<u>3,884</u>	<u>230,650</u>	<u>285,459</u>
Carrying amount:						
Balance on December 31, 2021	<u>\$ 1,297,370</u>	<u>37,419</u>	<u>-</u>	<u>5,146</u>	<u>225,743</u>	<u>1,565,678</u>
Balance on January 1, 2020	<u>\$ 910,449</u>	<u>33,582</u>	<u>1,405</u>	<u>3,716</u>	<u>386,180</u>	<u>1,335,332</u>
Balance on December 31, 2020	<u>\$ 906,946</u>	<u>28,060</u>	<u>703</u>	<u>1,586</u>	<u>267,656</u>	<u>1,204,951</u>

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Intangible assets

	<b>Other intangible assets</b>
Carrying amounts:	
Balance on December 31, 2021	\$ <u><u>317,765</u></u>
Balance on January 1, 2020	\$ <u><u>197,164</u></u>
Balance on December 31, 2020	\$ <u><u>307,120</u></u>

For the years ended December 31, 2021 and 2020, the Group's intangible assets were primarily computer software for which no material addition, disposal and impairment loss have been recognized or reversed; please refer to note 12 for the amounts of amortization.

(j) Other current assets and other non-current assets

Other current assets and other non-current assets are summarized as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Prepayments to suppliers	\$ 2,497,935	1,466,706
Prepaid expenses	38,576	36,439
Long-term prepaid expenses	148,779	2,502,896
Deferred charges and unamortized expense	18,546	112,476
Guarantee deposits paid	116,934	193,713
Tax refund receivable	478,272	404,300
Other	<u>835,971</u>	<u>797,087</u>
	<b>\$ <u><u>4,135,013</u></u></b>	<b><u><u>5,513,617</u></u></b>

Please refer to note 8 for assets pledged as collateral as of December 31, 2021 and 2020.

(k) Short-term borrowings

Short-term borrowings are summarized as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Unsecured bank loans	\$ <u><u>450,000</u></u>	<u><u>1,105,238</u></u>
Unused short-term credit lines	\$ <u><u>59,007,860</u></u>	<u><u>58,504,177</u></u>
Interest rate	<u><u>1.00%</u></u>	<u><u>0.98%~1.72%</u></u>

The Group has not provided any collateral to secure short-term borrowings.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
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(l) Long-term borrowings

Long-term borrowings are summarized as follows:

<b>December 31, 2021</b>				
	<b>Currency</b>	<b>Interest Rate</b>	<b>Years of Maturity</b>	<b>Amount</b>
Unsecured bank loans	CNY	3.60%~4.075%	2023~2025	\$ 10,032,547
Less: Current portion				-
Total				<u>\$ 10,032,547</u>
Unused long-term credit lines				<u>\$ 6,471,233</u>

<b>December 31, 2020</b>				
	<b>Currency</b>	<b>Interest Rate</b>	<b>Years of Maturity</b>	<b>Amount</b>
Unsecured bank loans	CNY	4.08%~4.18%	2025	\$ 5,177,383
Less: Current portion				-
Total				<u>\$ 5,177,383</u>
Unused long-term credit lines				<u>\$ 3,560,817</u>

In accordance with the syndicated loan entered into between the Company's subsidiary and the banks of the syndication, the Group shall abide by certain financial ratios such as liquidity ratio, debt-to-tangible assets ratio, and interest coverage ratio. Otherwise, the banks have the right to claim immediate repayment in full pursuant to the contract.

None of the Group's assets have been pledged to secure bank loans.

For information on the Group's exposure to interest rate risk, currency risk, and liquidity risk, please refer to note 6(x).

(m) Bonds payable

Unsecured ordinary corporate bonds (green bonds) issued by the Group were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total amount of corporate bonds issued	<u>\$ 5,000,000</u>	<u>5,000,000</u>

To implement the Group's environmental policy, respond to the Government's promotion of green energy, and to develop the green bond market, a five-year unsecured ordinary corporate bond with a coupon interest rate of 0.85% was issued in Taiwan on September 26, 2018. The maturity date of the bond is September 26, 2023, with an annual simple interest payment at the coupon interest rate since the issuance date and balloon repayment for the principal at maturity.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
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All the funds raised were used to finance capital expenditures related to renewable energy development, energy efficiency improvement, greenhouse gas reduction, water resources recycling, and pollution control. The unused amount of \$1,499,270 and \$2,748,151 as of December 31, 2021 and 2020 were included in other current financial assets.

(n) Lease liabilities

The Group's lease liabilities were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current	<b>\$ 130,505</b>	<b>93,275</b>
Non-current	<b>\$ 133,052</b>	<b>160,265</b>

For the maturity analysis, please refer to Note 6(x) of "Financial instruments".

The amounts recognized in profit or loss were as follows:

	<b>For the years ended December 31, 2021</b>	<b>2020</b>
Interest on lease liabilities	<b>\$ 2,791</b>	<b>3,073</b>
Variable lease payments not included in the measurement of lease liabilities	<b>\$ 14,114</b>	<b>16,710</b>
Expenses relating to short-term leases	<b>\$ 59,782</b>	<b>39,072</b>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<b>\$ 334</b>	<b>249</b>

The amounts recognized in the statements of cash flows by Group were as follows:

	<b>For the years ended December 31, 2021</b>	<b>2020</b>
Total cash outflow for leases	<b>\$ 606,134</b>	<b>190,797</b>

(i) Real estate leases

As of December 31, 2021, the Group leases buildings for its office space and warehouses. The leases of office space and warehouses typically run for a period of 2 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Lease of oil storage tanks in Port of Anping

Since April 2001, the Group has been leasing Wharves No. 22-23 in Port of Anping from Port of Kaohsiung, Taiwan International Ports Corporation, Ltd. to develop wharves and construct storage tanks for petrochemicals on a BOT basis. Once the facilities are accepted after a phased inspection, the Group will lease them under a contract with a rent-free period, after which a new contract that runs for two to five years will be entered into; the rental will be adjusted annually according to the changes in the Wholesale Price Index (WPI) published by Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan).

(iii) Other leases

The Group also leases machinery equipment, warehouses, and copiers with contract terms of one to three years. These leases are short term and/or leases of low value items. The Group has elected not to recognize right of use assets and lease liabilities for these leases.

(o) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligations at present value and fair value of plan assets is as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of benefit obligations	\$ 3,241,689	3,347,609
Fair value of plan assets	(2,492,121)	(2,558,693)
Net defined benefit liabilities	<b><u>\$ 749,568</u></b>	<b><u>788,916</u></b>

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months 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 Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The balance of the Group's labor pension reserve account with the Bank of Taiwan and Hua Nan Bank amounted to \$2,492,121 on the reporting date. 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 Fund, Ministry of Labor.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
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2) Movements in present value of the defined benefit obligations

The movements in the present value of the Group's defined benefit obligations were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Defined benefit obligation on January 1	\$ 3,347,609	3,340,839
Current service costs and interest cost	45,144	59,152
Remeasurement on the net defined benefit liabilities		
— Actuarial losses arising from changes in demographic assumptions	83,200	11
— Actuarial losses arising from changes in financial assumptions	(2,895)	75,880
— Actuarial gains arising from experience adjustments	(17,925)	77,007
Benefit paid	(213,444)	(205,280)
Defined benefit obligation on December 31	<u><u>\$ 3,241,689</u></u>	<u><u>3,347,609</u></u>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Fair value of plan assets on January 1	\$ 2,558,693	2,553,602
Interest income	12,971	19,580
Remeasurement on the net defined benefit liabilities		
— Return on plan assets (excluding current interest)	33,499	85,482
Contribution paid by the employer	100,402	105,309
Benefit paid	(213,444)	(205,280)
Fair value of plan assets on December 31	<u><u>\$ 2,492,121</u></u>	<u><u>2,558,693</u></u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Current service costs	\$ 28,589	34,064
Net interest of net defined benefit liabilities	3,584	5,508
	<u><u>\$ 32,173</u></u>	<u><u>39,572</u></u>

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
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	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ 24,515	30,103
Selling expenses	3,039	3,883
Administrative expenses	2,598	3,137
Research and development expenses	2,021	2,449
	<b>\$ 32,173</b>	<b>39,572</b>

5) Actuarial assumptions

The following are the Group's principal actuarial assumptions of Present Value of defined benefit obligations:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Discount rate	0.50%~0.70%	0.30%~0.50%
Future salary increases rate	1.50%~3.00%	1.50%~2.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$95,644.

The weighted-average lifetime of the defined benefit plans is 10 years.

6) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<b>Impact on defined benefit obligations</b>	
	<b>Increase</b>	<b>Decrease</b>
December 31, 2021		
Discount rate (0.25% movement)	(68,930)	71,098
Future salary increasing rate (0.25% movement)	69,176	(67,418)
December 31, 2020		
Discount rate (0.25% movement)	(73,693)	76,111
Future salary increasing rate (0.25% movement)	74,008	(72,034)

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
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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.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plans

The Group's Taiwan subsidiaries allocate 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 allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Group's pension costs under the defined contribution method were \$82,890 and \$81,080 for the year ended December 31, 2021 and 2020, respectively. Payment was made to the Bureau of the Labor Insurance.

For the years ended December 31, 2021 and 2020, the pension expenses contributed by the foreign entities following local regulations amounted to \$143,071 and \$78,856.

(p) Income taxes

(i) Income tax expense

The components of income tax expense for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Current tax expense		
Current period	\$ 9,187,965	5,425,856
Adjustment for prior periods	(16,096)	(110,276)
Other	5,789	52,892
	<u>9,177,658</u>	<u>5,368,472</u>
Deferred tax expense		
Origination and reversal of temporary differences	1,505,474	1,221,680
	<u>1,505,474</u>	<u>1,221,680</u>
Income tax expense from continuing operations	<u><u>\$ 10,683,132</u></u>	<u><u>6,590,152</u></u>

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
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The components amount of income tax benefit (expense) recognized in other comprehensive income (loss) for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	\$ <u>6,639</u>	<u>12,372</u>

Reconciliations of income tax expense and profit before tax for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Profit before tax	\$ <u>36,382,221</u>	<u>23,173,582</u>
Income tax using the Company's domestic tax rate	\$ 9,992,406	6,745,199
Permanent differences	(109,380)	(123,926)
Tax exempt income	(131,646)	(133,895)
Recognition of previously unrecognized tax losses	(38,768)	(28,531)
Current-year losses for which no deferred tax asset was recognized	-	839
Change in unrecognized temporary differences	(14,183)	(60,593)
Over provision in prior periods	(16,096)	(110,276)
Additional income tax on unappropriated earnings	375,986	10,353
Income basic tax	-	379
Overestimate of prior-year deferred tax	-	(2,734)
Other	624,813	293,337
Income tax expense	\$ <u>10,683,132</u>	<u>6,590,152</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets that have not been recognized in respect of the following items:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Tax effect of deductible temporary differences	\$ 63,498	77,447
The carried forward of unused tax losses	103,716	143,345
	\$ <u>167,214</u>	<u>220,792</u>

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
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The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2021, the Group's unused tax losses were as follows. Among the tax losses, \$21,367 were recognized as deferred tax assets.

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Year of expiration</u>
2013	\$ 131,982	2023
2014	427,282	2024
2015	66,153	2025
	<u>\$ 625,417</u>	

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

			Gain (loss) on investment	Other	Total
<b>Deferred Tax Liabilities:</b>					
Balance on January 1, 2021			\$ 4,052,187	107,536	4,159,723
Recognized in profit or loss			<u>1,740,627</u>	<u>(16,090)</u>	<u>1,724,537</u>
Balance on December 31, 2021			<u><u>\$ 5,792,814</u></u>	<u><u>91,446</u></u>	<u><u>5,884,260</u></u>
Balance on January 1, 2020			\$ 2,661,702	165,076	2,826,778
Recognized in profit or loss			<u>1,390,485</u>	<u>(57,540)</u>	<u>1,332,945</u>
Balance on December 31, 2020			<u><u>\$ 4,052,187</u></u>	<u><u>107,536</u></u>	<u><u>4,159,723</u></u>
	Defined benefit plans	Impairment losses on assets	The carried forward of unused tax losses	Other	Total
<b>Deferred Tax Assets:</b>					
Balance on January 1, 2021	\$ 64,554	168,920	21,367	273,292	528,133
Recognized in profit or loss	(12,961)	129,659	-	102,365	219,063
Recognized in other comprehensive income	<u>6,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,639</u>
Balance on December 31, 2021	<u><u>\$ 58,232</u></u>	<u><u>298,579</u></u>	<u><u>21,367</u></u>	<u><u>375,657</u></u>	<u><u>753,835</u></u>

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>Defined benefit plans</b>	<b>Impairment losses on assets</b>	<b>The carried forward of unused tax losses</b>	<b>Other</b>	<b>Total</b>
Balance on January 1, 2020	\$ 64,786	160,775	21,367	157,568	404,496
Recognized in profit or loss	(12,604)	8,145	-	115,724	111,265
Recognized in other comprehensive income	12,372	-	-	-	12,372
Balance on December 31, 2020	<u>\$ 64,554</u>	<u>168,920</u>	<u>21,367</u>	<u>273,292</u>	<u>528,133</u>

(iii) The income tax rate for subsidiaries in the Mainland is 25%. The Group's investees are not required to pay tax for overseas income under the current local tax law.

(iv) Assessment of tax

Except for 2018, the Company's income tax returns for the years up to 2019 have been examined and approved by the R.O.C. tax authorities.

(q) Capital and other equity

As of both December 31, 2021 and 2020, the Company's authorized capital amounted to \$19,600,000 divided into 1,960,000 thousand shares, with a par value of \$10 NT dollars per share. Of the aforementioned authorized share capital, the shares issued amounted to 1,819,775 thousand shares and 1,789,775 thousand shares respectively, all of which were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2021 and 2020 was as follows:

	(In thousands of shares)	
	<b>Ordinary Shares</b>	
	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Balance on January 1	1,789,775	1,789,800
Restricted stock awards	30,000	-
Share capital canceled	-	(25)
Balance on December 31	<u><b>1,819,775</b></u>	<u><b>1,789,775</b></u>

(i) Issue of ordinary shares

On May 17, 2021, the Company's restricted stock awards (RSA) scheme was approved by the shareholders' meeting. On November 16, 2021, the Board of Directors resolved to issue 30,000 thousand ordinary shares at par, totaling \$300,000. The record date of the capital increase is December 29, 2021, and relevant statutory procedures have been completed on January 20, 2022.

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

On May 16, 2016, the Company's restricted stock awards (RSA) scheme was approved by the shareholders' meeting. On September 2, 2016, the Board of Directors resolved to issue 30,000 thousand ordinary shares at par, totaling \$300,000. The record date of the capital increase is September 8, 2016, and relevant statutory procedures have been completed on October 4, 2016. On September 30, 2017, September 30, 2018, October 15, 2019, and September 30, 2020, the Company canceled respectively 358 thousand shares, 358 thousand shares, 1,107 thousand shares, and 25 thousand shares of the restricted stock awarded as a result of staff departure and performance ratings below requirements. The registration of the respective changes was completed on October 16, 2017, October 25, 2018, November 12, 2019, and November 12, 2020.

Please refer to note 6(r) for details.

(ii) Capital surplus

The components of the capital surplus were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Share capital	\$ 540,828	540,750
Movements in equity of associates and joint ventures accounted for using equity method	2,841	2,841
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	2,173	2,245
Restricted stock awards	1,050,000	78
Treasury share transactions	130,294	89,947
	<b><u>\$ 1,726,136</u></b>	<b><u>635,861</u></b>

In accordance with the ROC company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting a deficit. The aforementioned realized capital surplus includes share premiums and donation gains. In accordance with the securities offering and Issuance Guidelines, the amount of capital reserve that can be capitalized shall not exceed 10% of the total actual share capital amount.

(iii) Retained earnings

According to the Articles of Incorporation, after tax earnings are initially used to offset cumulative losses, and 10% of the remainder is set aside as a legal reserve, except when the legal reserve of the Company reaches paid in capital of the Company. Special reserve may be appropriated if necessary, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Special reserve

In accordance with Ruling issued by the Financial Supervisory Commission, 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 equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reverse (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior period. Amount of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2021 and 2020, the balance of the special reserve amounted to \$2,682,297 and \$5,289,035, respectively.

3) Earnings distribution

At the shareholder's meeting on May 17, 2021 and May 18, 2020, the shareholders approved to distribute the 2020 and 2019 earnings, respectively, as follows:

	<b>For the years ended December 31,</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Dividend per share (\$)</b>	<b>Amount</b>	<b>Dividend per share (\$)</b>	<b>Amount</b>
Dividends distributed to ordinary shareholders				
Cash	\$ 4.00	<u><b>7,152,382</b></u>	1.80	<u><b>3,215,885</b></u>

On March 29, 2022, the Group's Board of Directors resolved to appropriate the 2021 earnings. These earnings were appropriated as follows:

	<b>For the years ended December 31,</b>	
	<b>Dividend</b>	
	<b>per share (TWD)</b>	<b>Amount</b>
Dividends distributed to ordinary shareholders		
Cash	\$ 6.00	<u><b>10,709,351</b></u>

(iv) Treasury shares

For the years ended December 31, 2021 and 2020, treasury shares acquired by the Company for the transfer to employees pursuant to Article 167-1 of the Company Act totaled 6,337 thousand shares and 2,108 thousand shares, amounting to \$202,802 and \$63,952, respectively. As of December 31, 2021, the number of uncanceled shares was 4,769 thousand shares.

In accordance with the Company Act, the Company's treasury shares do not carry any shareholder rights before they are transferred.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Other equity (net of taxes) and noncontrolling interests

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (loss) from hedging instruments	Unearned compensation	Non- controlling interests
Balance on January 1, 2021	\$ (924,009)	(1,758,288)	-	-	10,235,489
Exchange differences on translation of foreign financial statements	(174,160)	-	-	-	(59,488)
Exchange differences on associates accounted for using equity method	6,430	-	-	-	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	2,118,909	-	-	(976)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	1,045,960	-	-	-
Unearned compensation	-	-	-	(1,343,531)	-
Other	-	-	-	-	2,423,862
Balance on December 31, 2021	<u>\$ (1,091,739)</u>	<u>1,406,581</u>	<u>-</u>	<u>(1,343,531)</u>	<u>12,598,887</u>
Balance on January 1, 2020	\$ (1,311,979)	(3,970,407)	(6,649)	(3,614)	7,699,832
Exchange differences on translation of foreign financial statements	370,447	-	-	-	138,321
Exchange differences on associates accounted for using equity method	17,523	-	-	-	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	2,212,119	-	-	(966)
Gains (loss) arising from changes in the fair value of hedging instruments	-	-	6,649	-	-
Unearned compensation	-	-	-	3,614	-
Other	-	-	-	-	2,398,302
Balance on December 31, 2020	<u>\$ (924,009)</u>	<u>(1,758,288)</u>	<u>-</u>	<u>-</u>	<u>10,235,489</u>

(r) Share-based payment

On May 17, 2021, the Company's Board of Directors resolved to award 30,000 thousand new shares of restricted stock to full-time employees who meet certain requirements, which has been registered with and approved by the Securities and Futures Bureau of FSC. On November 16, 2021, the Board of Directors decided to issue the restricted shares, and the fair value at the grant date was 45 dollar per share.

On May 16, 2016, the Company's Board of Directors resolved to award 30,000 thousand shares of restricted employee stock to full-time employees who meet certain requirements, which has been registered with, and approved by the Securities and Futures Bureau of FSC. On September 2, 2016, the Board of Directors decided to issue the restricted shares, and fair value at the grant date was 29.4 dollar per share.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

After one year, two years, and three years of service following the grant date, 30%, 30%, and 40% of the restricted employee stock will be vested, respectively. These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to other parties during the custody period. The voting rights of these shareholders are executed by the custodian, and the custodian will act based on law and regulations. If the shares remain unvested after the vesting period, the Company shall redeem and cancel all the unvested shares thereafter.

Details of the restricted stock of the Company were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Outstanding on 1 January (number)	4	184
Granted during the year (number)	30,000	-
Vested during the year (number)	(4)	(155)
Forfeited during the year (number)	-	(25)
Outstanding on 31 December (number)	<u><b>30,000</b></u>	<u><b>4</b></u>

As of December 31, 2021 and 2020, the Company has the following RSA share-based payment transactions:

<b>Type</b>	<b>Restricted stock awards (RSA)</b>	
	<b>December 29, 2021</b>	<b>September 8, 2016</b>
Grant date		
Fair value at grant date	45	29.4
Number of shares granted	30,000,000	30,000,000
Contract term	-	-
Recipients	All employees	All employees
Vesting conditions	In compliance with the Company's appraisal standards	In compliance with the Company's appraisal standards

The grant-date fair value of the restricted employee option was appraised using the price-to-book ratio based on the market approach and discounted taking into consideration non-quantifiable factors such as liquidity.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

As of December 31, 2021 and 2020, the Company has the following treasury stock transferred to employees share-based payment transactions:

<u>Transaction type</u>	<u>Equity-settled</u>	
	<u>Treasury stock transferred to employees (B)</u>	<u>Treasury stock transferred to employees (A)</u>
Grant date	September 24, 2021	November 3, 2020
Number of shares granted	3,182,790	2,955,291
Contract term	-	-
Recipients	All employees	All employees
Vesting conditions	Immediately vested	Immediately vested
Fair value at grant date	12.77	7.56

To boost staff morale and commitment, the Company repurchased its treasury shares and transfer them to its employees who meet certain conditions pursuant to Article 167-1 of the Company Law.

The Company's transfer of treasury shares are detailed as follows:

(in thousands)

	<u>For the years ended December 31,</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Weighted-average exercise price</u>	<u>Number of options</u>	<u>Weighted-average exercise price</u>	<u>Number of options</u>
Outstanding on January 1	\$ -	-	-	-
Granted during the year (number)	-	3,183	-	2,955
Exercised during the year (number)	-	(3,183)	-	(2,955)
Outstanding on December 31	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

(i) Expense recognized in profit or loss

The Group incurred expenses of share-based payments in 2021 and 2020 as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Expenses resulting from RSA	\$ 6,469	2,885
Expenses resulting from treasury shares transferred to employees	40,644	22,342
Total	<u>\$ 47,113</u>	<u>25,227</u>

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(s) Earnings per share

For the years ended December 31, 2021 and 2020, the basic and diluted earnings per share were calculated as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<b>Basic earnings per share</b>		
Profit attributable to ordinary shareholders of the Company	<u>\$ 21,576,838</u>	<u>13,460,070</u>
Weighted-average number of ordinary shares (in thousands)	<u>1,785,847</u>	<u>1,786,162</u>
	<u>\$ 12.08</u>	<u>7.54</u>
<b>Diluted earnings per share</b>		
Profit attributable to ordinary shareholders of the Company	<u>\$ 21,576,838</u>	<u>13,460,070</u>
Weighted-average number of ordinary shares (basic)	1,785,847	1,786,162
Effect of dilutive potential ordinary shares		
Effect of employee share bouns	6,053	4,535
Effect of restricted employee shares unvested	<u>22</u>	<u>125</u>
Weighted-average number of ordinary shares (in thousands)	<u>1,791,922</u>	<u>1,790,822</u>
(after adjusting the effect of dilutive potential ordinary share)		
	<u>\$ 12.04</u>	<u>7.52</u>

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>For the years ended December 31, 2021</u>		
	<u>Plastics and chemicals Department</u>	<u>Others</u>	<u>Total</u>
Primary geographical markets:			
Asia	\$ 158,030,355	3,155,611	161,185,966
America	6,193,464	-	6,193,464
Europe	7,344,339	-	7,344,339
Others	<u>3,947,922</u>	<u>-</u>	<u>3,947,922</u>
	<u>\$ 175,516,080</u>	<u>3,155,611</u>	<u>178,671,691</u>

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<b>For the years ended December 31, 2021</b>			
	<b>Plastics and chemicals Department</b>	<b>Others</b>	<b>Total</b>
Major products:			
Plastic and rubber	\$ 162,891,648	-	162,891,648
Electronic materials	2,398,387	-	2,398,387
Specialty chemicals	5,157,095	-	5,157,095
Processed Plastic	3,937,135	-	3,937,135
Others	<u>1,131,815</u>	<u>3,155,611</u>	<u>4,287,426</u>
	<b><u>\$ 175,516,080</u></b>	<b><u>3,155,611</u></b>	<b><u>178,671,691</u></b>
<b>For the years ended December 31, 2020</b>			
	<b>Plastics and chemicals Department</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets:			
Asia	\$ 108,761,783	1,976,352	110,738,135
America	2,427,533	-	2,427,533
Europe	2,046,263	-	2,046,263
Others	<u>2,014,471</u>	<u>-</u>	<u>2,014,471</u>
	<b><u>\$ 115,250,050</u></b>	<b><u>1,976,352</u></b>	<b><u>117,226,402</u></b>
Major products:			
Plastic and rubber	\$ 104,322,726	-	104,322,726
Electronic materials	3,159,578	-	3,159,578
Specialty chemicals	4,874,771	-	4,874,771
Processed Plastic	2,091,152	-	2,091,152
Others	<u>801,823</u>	<u>1,976,352</u>	<u>2,778,175</u>
	<b><u>\$ 115,250,050</u></b>	<b><u>1,976,352</u></b>	<b><u>117,226,402</u></b>
(ii) Contract balances			
	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Notes and accounts receivable (including related parties)	\$ 12,315,531	11,355,935	9,876,405
Less: allowance for impairment	<u>(77,219)</u>	<u>(57,702)</u>	<u>(58,823)</u>
Total	<b><u>\$ 12,238,312</u></b>	<b><u>11,298,233</u></b>	<b><u>9,817,582</u></b>

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
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For details on notes and accounts receivable and allowance for impairment, please refer to note 6(c).

As of December 31, 2021, December 31, 2020, and January 1, 2020, the balances of contract liabilities (recognized as other current liabilities) amounted to \$1,661,665, \$1,132,307, and \$509,542, respectively. For the years ended December 31, 2021 and 2020, the opening balances recognized as revenue amounted to \$1,103,844 and \$432,437, respectively.

(u) Compensation of employees, directors, and supervisors

The Company's Articles of Incorporation stipulate that if there is profit for the year, a minimum of 1% shall be set aside to distribute employee compensation and a maximum of 0.1% shall be set aside to distribute compensation for directors and supervisors. However, if the Company has accumulated losses, the profit shall be reserved to offset the deficit. The aforementioned earnings refer to income before tax excluding compensation of employees, directors, and supervisors. Employee compensation, which shall be distributed in cash or in shares, shall be resolved by the Board of Directors and be reported to the shareholders' meeting.

For the years ended December 31, 2021 and 2020, the Company estimated the compensation for employees at \$275,103 and \$166,587, and for directors and supervisors at \$110 for both years. The aforementioned estimates, calculated based on profit before tax (before excluding employee compensation) during the respective years multiplied by a certain percentage of compensation for employees, directors and supervisors specified in the Articles of Incorporation, were presented as operating costs or operating expenses. Related information is available on the Market Observation Post System website. For the year ended December 31, 2020, the difference between the amount of employee compensation stated in the financial statements and the amount of actual distribution was \$5,573, which shall be treated as changes in accounting estimates and recognized in profit or loss for the year ended December 31, 2021.

(v) Non-operating income and expenses

(i) Interest income

The details of interest income for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Interest income from bank deposits	\$ 414,314	330,122
Interest income from financial assets measured at fair value through profit or loss	206,662	86,207
Others	331	363
Total interest income	<u><u>\$ 621,307</u></u>	<u><u>416,692</u></u>

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Other income

The details of other income for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Rent income	\$ 59,557	78,561
Dividend income	286,500	104,378
	<b>\$ 346,057</b>	<b>182,939</b>

(iii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange losses	\$ (215,881)	(395,272)
Gains on disposal of property, plant and equipment	422,545	337,605
Gains (losses) on financial assets at fair value through profit or loss	(227,248)	(27,245)
Impairment losses on property, plant and equipment	(771,349)	(256,049)
Impairment losses on other assets	(65,785)	-
Others	287,110	307,322
	<b>\$ (570,608)</b>	<b>(33,639)</b>

(iv) Finance costs

The details of finance costs for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Bank borrowings	\$ 422,576	226,674
Others	3,671	3,093
Less: capitalized interest payments	(247,152)	(101,655)
	<b>\$ 179,095</b>	<b>128,112</b>

(w) Reclassification adjustments to components of other comprehensive income

For the years ended December 31, 2021 and 2020, reclassification adjustments to the components of other comprehensive income were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Cash flow hedges:		
Gains (losses) for the period	\$ -	6,649
Gains and losses recognized in other comprehensive income	<b>\$ -</b>	<b>6,649</b>

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(x) Financial instruments

(i) Credit risks

1) Exposure to credit risk

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Receivables of credit risk

For credit risk exposure of notes and accounts receivable, please refer to note 6(c). Other financial assets at amortized cost includes other receivables. For the details of loss allowance, please refer to note 6(d).

Other receivables are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12-month expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g).

(ii) Liquidity risk

The following are the contractual maturities of the Group's financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
<b>Balance on December 31, 2021</b>							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 10,482,547	11,381,531	651,267	200,879	3,958,320	6,571,065	-
Notes and accounts payable	7,021,731	7,021,731	7,021,731	-	-	-	-
Other payables	8,933,898	8,933,898	8,933,898	-	-	-	-
Lease liabilities	263,557	268,783	74,092	58,449	95,506	20,185	20,551
Bonds payable	5,000,000	5,073,822	20,959	21,541	5,031,322	-	-
Guarantee deposits received	23,825	23,825	23,825	-	-	-	-
	<u>\$ 31,725,558</u>	<u>32,703,590</u>	<u>16,725,772</u>	<u>280,869</u>	<u>9,085,148</u>	<u>6,591,250</u>	<u>20,551</u>
<b>Balance on December 31, 2020</b>							
Non-derivative financial liabilities							
Unsecured bank loans	\$ 6,282,621	7,173,426	1,214,802	107,457	212,009	5,639,158	-
Notes and accounts payable	7,135,824	7,135,824	7,135,824	-	-	-	-
Other payables	7,361,009	7,361,009	7,361,009	-	-	-	-
Lease liabilities	253,540	258,204	49,059	46,648	91,562	70,935	-
Bonds payable	5,000,000	5,116,322	20,958	21,541	42,500	5,031,323	-
Guarantee deposits received	32,180	32,180	32,180	-	-	-	-
Derivative financial liabilities							
Forward exchange contracts							
Outflow	12,077	939,650	939,650	-	-	-	-
Inflow	-	(927,573)	(927,573)	-	-	-	-
Cross-currency interest rate swap contracts							
	<u>67,376</u>	<u>67,376</u>	<u>67,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 26,144,627</u>	<u>27,156,418</u>	<u>15,893,285</u>	<u>175,646</u>	<u>346,071</u>	<u>10,741,416</u>	<u>-</u>

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
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The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risks

The Group's significant exposure to foreign currency risk was as follows:

<b>December 31, 2021</b>				
	<b>Foreign currency (In thousands)</b>		<b>Exchange rate</b>	<b>TWD</b>
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 438,182	USD:TWD	27.6900	12,133,260
	90,798	USD:CNY	6.3756	2,514,197
CNY	19,244	CNY:TWD	4.3431	83,579
JPY	2,104,283	JPY:TWD	0.2409	506,922
EUR	11,860	EUR:TWD	31.3685	372,030
<u>Non-monetary items</u>				
USD	11,031	USD:TWD	27.690	305,438
CNY	8,414,654	CNY:TWD	4.354	36,634,531
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	30,292	USD:TWD	27.6900	838,785
	125,211	USD:CNY	6.3756	3,467,093
JPY	1,328,896	JPY:TWD	0.2409	320,131
	439,297	JPY:CNY	0.0555	105,827
<u>Non-monetary items</u>				
USD	26,332	USD:TWD	27.6900	729,133
EUR	7,146	EUR:TWD	31.3685	224,159

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<b>December 31, 2020</b>				
	<b>Foreign currency</b>		<b>Exchange</b>	
	<b>(In thousands)</b>		<b>rate</b>	<b>NTD</b>
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 308,710	USD:TWD	28.5080	8,800,705
	450,607	USD:CNY	6.5959	12,845,904
CNY	77,997	CNY:TWD	4.3221	337,111
JPY	1,899,018	JPY:TWD	0.2726	517,672
EUR	6,115	EUR:TWD	34.5778	211,443
<u>Non-monetary items</u>				
USD	9,111	USD:TWD	28.508	259,744
CNY	6,447,605	CNY:TWD	4.322	27,866,934
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	45,954	USD:TWD	28.5080	1,310,057
	729,045	USD:CNY	6.5959	20,783,615
JPY	1,328,487	JPY:TWD	0.2726	362,146
<u>Non-monetary items</u>				
USD	28,316	USD:TWD	28.5080	807,233
	444	USD:CNY	6.5959	12,658
EUR	4,601	EUR:TWD	34.5778	159,092

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, financial assets and liabilities at fair value through profit or loss, accounts receivable, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A 1% depreciation or appreciation of the TWD against the USD and CNY as of December 31, 2021 and 2020, would have increased or decreased the net loss after tax for the years ended December 31, 2021 and 2020 by \$87,226 and \$7,231, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

As Group deals with diverse foreign currencies, therefore, the gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2021 and 2020 the foreign exchange gain (loss), including realized and unrealized, amounted to \$215,881 and \$395,272, respectively.

(iv) Interest rate analysis

The interest rate exposure of the Group's financial assets and liabilities is described in Note on liquidity risk management.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year.

If the interest rate increases or decreases by 1%, the Group's net loss will decrease or increase by \$83,860 and \$50,261 for the years ended December 31, 2021 and 2020, respectively, assuming all other variable factors that remain constant. This is mainly due to the Group's borrowing in variable interest rate.

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
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December 31, 2021					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 19,314,096	13,438,369	-	5,875,728	19,314,097
Derivative financial assets	7,106	-	7,106	-	7,106
Subtotal	<u>19,321,202</u>	<u>13,438,369</u>	<u>7,106</u>	<u>5,875,728</u>	<u>19,321,203</u>
<b>Financial assets at fair value through other comprehensive income</b>					
Unquoted equity instruments	<u>2,339,591</u>	-	-	<u>2,339,591</u>	<u>2,339,591</u>
<b>Financial assets at amortized cost</b>					
Cash and cash equivalents	37,429,383	-	-	-	-
Notes receivable and accounts receivable	12,238,312	-	-	-	-
Other financial assets	1,509,587	-	-	-	-
Other receivables	139,672	-	-	-	-
Guarantee deposits paid	<u>116,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>51,433,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 73,094,681</u></u>	<u><u>13,438,369</u></u>	<u><u>7,106</u></u>	<u><u>8,215,319</u></u>	<u><u>21,660,794</u></u>
<b>Financial liabilities at fair value through profit or loss</b>					
Unsecured bank loans	\$ 10,482,547	-	-	-	-
Notes payable and accounts payables	7,021,731	-	-	-	-
Other payables	8,933,898	-	-	-	-
Bonds payables	5,000,000	-	-	-	-
Guarantee deposits received	23,825	-	-	-	-
Lease liabilities	<u>263,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 31,725,558</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 11,928,493	4,054,680	-	7,873,813	11,928,493
<b>Financial assets at fair value through other comprehensive income</b>					
Stocks of listed companies	3,820,107	3,820,107	-	-	3,820,107
Unquoted equity instruments	1,854,487	-	-	1,854,487	1,854,487
Subtotal	5,674,594	3,820,107	-	1,854,487	5,674,594
<b>Financial assets at amortized cost</b>					
Cash and cash equivalents	27,219,730	-	-	-	-
Notes receivable and accounts receivable	11,298,233	-	-	-	-
Other financial assets	2,758,467	-	-	-	-
Other receivables	111,476	-	-	-	-
Guarantee deposits paid	193,713	-	-	-	-
Subtotal	41,581,619	-	-	-	-
Total	<u>\$ 59,184,706</u>	<u>7,874,787</u>	<u>-</u>	<u>9,728,300</u>	<u>17,603,087</u>
<b>Financial liabilities at fair value through profit or loss</b>					
<b>Derivative financial liabilities</b>					
Forward exchange contracts \$	12,077	-	12,077	-	12,077
Cross-currency interest rate swap contracts	67,376	-	67,376	-	67,376
Subtotal	79,453	-	79,453	-	79,453
<b>Financial liabilities at amortized cost</b>					
Unsecured bank loans	6,282,621	-	-	-	-
Notes payable and accounts payables	7,135,824	-	-	-	-
Other payables	7,361,009	-	-	-	-
Bonds payable	5,000,000	-	-	-	-
Guarantee deposits received	32,180	-	-	-	-
Lease liabilities	253,540	-	-	-	-
Subtotal	26,065,174	-	-	-	-
Total	<u>\$ 26,144,627</u>	<u>-</u>	<u>79,453</u>	<u>-</u>	<u>79,453</u>

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Valuation techniques for financial instruments measured at fair value

(2.1) Non-derivative financial instruments

If the quoted prices in active markets are available, the market price is established as the fair value.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value measured using the valuation technique can be extrapolated from similar financial instruments, discounted cash flow method, or other valuation techniques which include the model used in calculating the observable market data at the consolidated balance sheet date.

The fair value of the Group's equity instruments without an active market are measured using the market approach or the asset-based approach; the former derives market multiples from listed entities comparable to the investee to estimate the value of the underlying object, adjusted for the effect of the non-marketability of the equity securities.

(2.2) Derivative financial instruments

Cross-currency interest rate swap contracts are normally assessed using the current exchange rate and interest rate. Forward exchange contracts are normally assessed using the current forward exchange rate.

3) Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 during 2021 and 2020.

4) Reconciliation of level 3 fair values

	<b>At fair value through profit or loss</b>	<b>Fair value through other comprehensive income</b>
<b>Balance on January 1, 2021</b>	\$ 7,873,813	1,854,487
Purchased	33,876,960	-
Return of capital on capital reduction	-	(17,391)
Recognized in profit or loss	3,165	-
Recognized in other comprehensive income	-	1,172,838
Disposal / Redemption	(35,831,400)	(670,343)
Effect of movements in exchange rate	(46,810)	-
<b>Balance on December 31, 2021</b>	<b>\$ 5,875,728</b>	<b>2,339,591</b>

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	At fair value through profit or loss	Fair value through other comprehensive income
<b>Balance on January 1, 2020</b>	\$ 1,730,566	1,219,797
Purchased	41,544,906	-
Return of capital on capital reduction	-	(13,200)
Recognized in profit or loss	5,068	-
Recognized in other comprehensive income	-	647,890
Disposal / Redemption	(35,542,546)	-
Effect of movements in exchange rate	135,819	-
<b>Balance on December 31, 2020</b>	<b>\$ 7,873,813</b>	<b>1,854,487</b>

- 5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group financial instruments that use Level 3 inputs to measure fair value include financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. Quantitative information on significant unobservable inputs was as follows:

Item	Valuation Technique	Significant Non-observable Input	The Relationship between Significant Non-observable Input and Fair Value
Financial assets at fair value through other comprehensive income - equity investments without an active market	Asset-based approach	Market illiquidity discount (15%)	The higher the market liquidity discount rate, the lower the fair value
Financial assets at fair value through profit or loss-financial instruments without an active market	Discounted cash flow method	Discount Rate (3.05%~3.76% on December 31, 2021 and 1.35%~2.06% on December 31, 2020)	The higher the discount rate, the lower the fair value

- 6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's fair value measurement on financial instruments is reasonable. The measurement would differ if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters are changed, the impact on net income or loss and other comprehensive income or loss will be as follows:

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
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	Input	Variation	Impact of Fair Value Change on Profit or Loss		Impact of Fair Value Change on Other Comprehensive income or loss		
			Favorable Change	Unfavorable Change	Favorable Change	Unfavorable Change	
Balance on December 31, 2021							
Financial assets at fair value through profit or loss							
Financial instruments without an active market	Discount Rate	0.5%	\$	22,034	(22,034)	-	-
Financial assets at fair value through other comprehensive income							
Financial instruments without an active market	Market Multiple	0.5%	-	-	11,387	(11,387)	
Balance on December 31, 2020							
Financial assets at fair value through profit or loss							
Financial instruments without an active market	Discount Rate	0.5%	\$	29,527	(29,527)	-	-
Financial assets at fair value through other comprehensive income							
Equity investments without an active market	Market Multiple	0.5%	\$	-	-	9,066	(9,066)

The favorable change and unfavorable change represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculating 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 inputs.

(y) Financial risk management

(i) Overview

The Group has exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

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## CHIMEI CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

#### (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 credit risk arises principally from the Group's receivables from customers and investments.

##### 1) Accounts receivable and other receivables

The Group established a credit policy to only transact with creditworthy obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Group will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Group continuously monitors the exposure to credit risk and counterparty credit ratings, and establish sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the Risk Management Committee.

The Group hedged the credit risk on financial assets through holding collateral and insuring accounts receivable.

##### 2) Investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

##### 3) Guarantees

The Group's policy is to provide financial guarantees only to subsidiaries in which more than 50% of voting shares are directly or indirectly held by the Group and for entities that have transactions with the Group.

Please refer to note 13 for endorsement and guarantees provided by the Group for other parties as of December 31, 2021.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Liquidity risk

Liquidity risk is a risk that the Group is unable to meet 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 much as possible, that it always have 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.

In general, the Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on operating expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Additionally, the Group's unused lines of credit amounted to \$65,479,093 and \$62,064,994 as of December 31, 2021 and 2020, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which 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, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk.

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 currencies of the Group's entities, primarily the New Taiwan Dollars (NTD), US Dollars (USD), and the China Yen (CNY). The currencies used in these transactions are the NTD, CNY, EUR, JPY, and USD.

Loan interest was denominated in the currency of the principal. In general, borrowings were denominated in currencies that match with the cash flows generated by the underlying operations of the Company, primarily NTD, CNY, and USD.

The Group adopts natural hedge in principle and uses derivative instruments to hedge currency risk.

2) Interest risk

The Group manages interest rates risk by maintaining an adequate combination of fixed and variable interest rates. The Group periodically assesses hedging activities to align its view on interest rate to certain risk appetite, so as to ascertain the hedging strategy that conforms to the cost effectiveness.

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(z) Capital Management

The Group's policy is to safeguard the capacity to continue to operate, to continue to provide returns for shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities.

The Group uses the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. Total capital comprises share capital, capital surplus, retained earnings, treasury shares, and other equity plus net debt.

The Group's debt to capital ratios at the reporting date were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total liabilities	\$ 46,349,835	36,273,151
Less: cash and cash equivalents	<u>(37,429,383)</u>	<u>(27,219,730)</u>
Net debt	8,920,452	9,053,421
Total equity	<u>107,512,061</u>	<u>88,852,583</u>
Adjusted equity	<b><u>\$ 116,432,513</u></b>	<b><u>97,906,004</u></b>
Debt to equity ratio	<b><u>7.66 %</u></b>	<b><u>9.25 %</u></b>

(aa) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2021 and 2020, were as follows:

(i) For right-of-assets under lease, please refer to note 6(h).

(ii) Reconciliation of liabilities arising from financing activities was as follows:

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>December 31, 2021</b>
Short-term borrowings	\$ 1,105,238	(650,168)	(5,070)	450,000
Long-term borrowings	5,177,383	4,886,087	(30,923)	10,032,547
Lease liabilities	<u>253,540</u>	<u>(529,113)</u>	<u>539,130</u>	<u>263,557</u>
Total liabilities from financing activities	<b><u>\$ 6,536,161</u></b>	<b><u>3,706,806</u></b>	<b><u>503,137</u></b>	<b><u>10,746,104</u></b>

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
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	January 1, 2020	Cash flows	Non-cash changes	December 31, 2020
Short-term borrowings	\$ 5,547,874	(4,451,505)	8,869	1,105,238
Long-term borrowings	-	5,080,569	96,814	5,177,383
Lease liabilities	380,985	(130,976)	3,531	253,540
Total liabilities from financing activities	<u>\$ 5,928,859</u>	<u>498,088</u>	<u>109,214</u>	<u>6,536,161</u>

**(7) Related-party transactions**

**(a) Names and relationship with the Group**

The followings are related parties that had transactions with the Group during the period covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Suzhou Newhuamei Plastics Co., Ltd.	Associates
Danyang New Huamei Plastic Co., Ltd.	Associates
Qingdao Zhongxinhuamei Plastic Co., Ltd.	Associates
Dongguan Sinochem Huamei Plastic Co., Ltd.	Associates
CHI LIN Optoelectronics Co., Ltd.	Associates
Lushun Warehouse Co., Ltd.	Associates
Chimei Culture Foundation	More than 1/3 of the funds are donated by the Group
Chimei Museum Foundation	More than 1/3 of the funds are donated by the Group
Chi Mei Frozen Food Co., Ltd.	Substantive related party of the Group
Chi Mei Trading Co., Ltd.	Substantive related party of the Group
Taichi Investment Corporation	Substantive related party of the Group
The Wen Long Cultural Foundation	Substantive related party of the Group
Rioselecta Investment Limited	Substantive related party of the Group
All directors, supervisors, general managers, and deputy general manager	Key management of the Group

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**CHIMEI CORPORATION AND SUBSIDIARIES**  
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(b) Significant transactions with related parties

(i) Sales revenue

The amounts of significant sales by the Group to related parties were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Associates	\$ 1,223,348	913,488
Other related parties	122,864	110,223
	<b>\$ 1,346,212</b>	<b>1,023,711</b>

The selling pricing for related parties was not materially different from arm's length transactions. The credit terms ranged from 30 to 105 days.

(ii) Purchases

The amounts of significant purchases by the Group from related parties were as follows:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Associates	\$ 5,928	8,576
Other related parties	66,761	54,029
	<b>\$ 72,689</b>	<b>62,605</b>

The pricing of purchase transactions with related parties was not significantly different from those offered by other vendors. The payment terms ranged from 30 to 60 days.

(iii) Receivables from related parties

The receivables from related parties were as follows:

<b>Account</b>	<b>Relationship</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Notes and accounts receivable	Associates	\$ 278,929	310,226
Notes and accounts receivable	Other related parties	417	290
Other receivables	Associates	1,033	1,056
Other receivables	Other related parties	278	549
		<b>\$ 280,657</b>	<b>312,121</b>

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Payables to related parties

The payables to related parties were as follows:

<b>Account</b>	<b>Relationship</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Notes and accounts payable	Associates	\$ 981	21
Notes and accounts payable	Other related parties	59,453	60,871
Other payables	Associates	501	602
Other payables	Other related parties	576	768
Other current and non-current liabilities	Associates	202	200
Other current and non-current liabilities	Other related parties	3,471	10,101
		<b>\$ 65,184</b>	<b>72,563</b>

(v) Others

<b>Account</b>	<b>Relationship</b>	<b>For the years ended December 31,</b>	
		<b>2021</b>	<b>2020</b>
Overheads and operating expenses	Other related parties	\$ 11,093	14,958
Rent income	Lushun Warehouse Co., Ltd.	11,600	11,600
Rent income	Associates	497	497
Other income	Associates	6,391	152
Other income	Other related parties	1,200	1,200
Interest expenses	Associates	862	2

For the year ended December 31, 2021, the Company repurchased 6,000 thousand treasury shares at a price of \$192,000 from Taichi Investment Corporation, in order to transfer the shares to its employees.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>For the years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 136,592	107,869
Post-employment benefits	3,024	2,810
	<b>\$ 139,616</b>	<b>110,679</b>

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Restricted assets (included in other current financial assets)	Customs deposits and performance bond	\$ 10,317	10,316
Guarantee deposits paid (included in other non-current assets)	Deposits on civil litigation, lease, materials purchase, etc.	116,934	193,713
		<u>\$ 127,251</u>	<u>204,029</u>

**(9) Significant commitments and contingencies:**

(a) Unrecognized contractual commitments

(i) Guarantee notes submitted by the Group to its customers for purchases and loans:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
TWD	\$ 9,207,471	10,715,664
USD	5,261,100	5,131,440
CNY	1,436,708	-
	<u>\$ 15,905,279</u>	<u>15,847,104</u>

(ii) The Group's outstanding standby letters of credit were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
TWD	\$ 415,000	995,000
USD	448,650	137,351
EUR	872,058	45,145
JPY	-	2,454
GBP	20,689	-
	<u>\$ 1,756,397</u>	<u>1,179,950</u>

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (iii) As of December 31, 2021 and 2020, the Group's guarantee notes received for sales, construction, and transportation amounted to \$7,073,154 and \$5,839,131, respectively.
- (iv) As of December 31, 2021 and 2020, the outstanding amounts of a plant construction contract entered into by the Group amounted to \$8,069,695 and \$10,682,150, respectively.
- (v) Since April 2001, the Company has been leasing Wharves No. 22-23 in Port of Anping from Port of Kaohsiung, Taiwan International Ports Corporation, Ltd. to develop wharves and construct storage tanks for petrochemicals on a BOT basis, with minimum goods loaded by cargo agreed by both parties.

**(10) Losses due to major disasters:None**

**(11) Subsequent events:None**

**(12) Other:**

The employee benefits, depreciation, depletion and amortization expense categorized by function were as follows:

By function  By item	For the years ended December 31,					
	2021			2020		
	Operating Costs	Operation Expenses	Total	Operating Costs	Operation Expenses	Total
Employee benefits						
Salary	3,486,266	2,017,952	5,504,218	3,213,993	1,743,592	4,957,585
Labor and health insurance	159,372	106,885	266,257	141,025	87,690	228,715
Pension	175,885	82,249	258,134	133,736	65,772	199,508
Others	193,922	257,264	451,186	173,745	165,670	339,415
Depreciation	2,903,624	452,857	3,356,481	2,684,282	378,345	3,062,627
Amortization	79,220	184,096	263,316	62,088	174,240	236,328

(Continued)

## CHIMEI CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

The following is the information on the Group's significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers":

##### (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Pumping Holding Co., Ltd.	Zhenjiang CHIMEI Chemical Co., Ltd.	Other receivables	Yes	2,605,860	2,605,860	-	2.60%	2	-	Working Capital	-	None	-	14,353,965 (Note 2)	14,353,965 (Note 2)
1	"	Zhangzhou CHIMEI Chemical Co., Ltd.	"	Yes	2,605,860	2,605,860	1,932,680	2.40%	2	-	"	-	"	-	14,353,965 (Note 2)	14,353,965 (Note 2)
1	"	Lin Shine Engineering Plastics (Suzhou) Co., Ltd.	"	Yes	2,605,860	2,605,860	238,871	2.60%	2	-	"	-	"	-	14,353,965 (Note 2)	14,353,965 (Note 2)
2	Nexgen Mediatech Inc.	Mirai Lifestyle Inc.	"	Yes	300,000	300,000	100,000	1.20%	2	-	"	-	"	-	468,765 (Note 2)	468,765 (Note 2)
3	Jentra Investment Co., Ltd.	Zhenjiang CHIMEI Chemical Co., Ltd.	"	Yes	1,737,240	1,737,240	-	2.60%	2	-	"	-	"	-	10,609,036 (Note 2)	10,609,036 (Note 2)
3	"	Zhangzhou CHIMEI Chemical Co., Ltd.	"	Yes	2,171,550	2,171,550	1,689,152	2.40%	2	-	"	-	"	-	10,609,036 (Note 2)	10,609,036 (Note 2)
4	Zhenjiang CHIMEI Chemical Co., Ltd.	Lin Shine Engineering Plastics (Suzhou) Co., Ltd.	"	Yes	130,293	130,293	-	3.50%	2	-	"	-	"	-	12,048,101 (Note 2)	12,048,101 (Note 2)

Note 1: Purpose of fund financing for the borrower:

(1) Those with business contact, please fill in 1.

(2) Those necessary for short term financing, please fill in 2.

Note 2: The aggregate amount of loans to a single party shall not exceed 40% of the current-period net worth, and the aggregate amount of loans provided by the company's shall not exceed 40% of its net worth as stated in its latest financial statements, respectively.

Note 3: The above-mentioned ending balance and actual usage amount were translated into New Taiwan Dollars using spot rates at the financial report date.

Note 4: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

##### (ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of guarantor	Counterparty of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3)	Highest balance of guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	CHIMEI Corporation	Zhangzhou CHIMEI Chemical Co., Ltd.	2	94,913,174	16,503,780	16,503,780	10,032,547	-	17.39 %	94,913,174	Y		Y
1	Nexgen Mediatech Inc.	Mirai Lifestyle Inc.	2	1,171,912	400,000	400,000	300,000	-	34.13 %	2,343,824	Y		

Note 1: The numbering is as follows:

Parent entity – 0

Subsidiary – starting from 1

Note 2: Relationship with the Company is as follows:

(i) The company has business relationship.

(ii) A subsidiary in which the Company holds more than 50% ordinary shares, directly or indirectly.

(iii) An investee in which the parent and subsidiaries hold an aggregate of more than 50% ordinary shares.

(iv) The parent entity that holds more than 50% of the Company's outstanding ordinary shares, either directly or indirectly through its subsidiaries.

Note 3: The upper limit on endorsement and guarantees is as follows:

(i) The accumulated amount of endorsement and guarantees provided by the Company shall not exceed 100% of its net worth. The accumulated amount of endorsement and guarantees provided by Nexgen Mediatech Inc. shall not exceed 100% of its net worth.

(ii) The aggregate amount of endorsement and guarantees provided by the Company for a single entity shall not exceed 100% of its net worth. The aggregate amount of endorsement and guarantees provided by Nexgen Mediatech Inc. for a single entity shall not exceed 200% of its net worth.

(iii) The aggregate amount of endorsement for those companies with business contact shall not exceed the amount of the trading amount between the two parties during the latest year.

(iv) The pre-determined amount delegated to the chairman for execution shall not exceed 100% of the aforementioned endorsement and guarantees provided to other parties.

Note 4: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(Continued)



## CHIMEI CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars/shares)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership during the year (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Shares in Chemcross. Com, Inc	-	Non-current financial assets at fair value through other comprehensive income	100	-	0.60 %	-	0.60 %	
"	Shares in JANTEX TECHNOLOGY CO., LTD.	-	"	3,750	-	3.37 %	-	3.37 %	
"	Shares in ASIA PACIFIC MICROSYSTEMS, INC.	-	"	88	-	0.19 %	-	0.19 %	
"	Shares in TAICHI INVESTMENT CORPORATION	Substantive related party	"	45,324	2,249,927	15.11 %	2,249,927	15.11 %	
"	Shares in TOP TAIWAN V1 VENTURE CAPITAL CO., LTD.	-	"	2,680	17,650	17.39 %	17,650	17.39 %	
"	Apple Inc. bond	-	Current financial assets at fair value through profit or loss	-	527,082	- %	527,082	- %	
"	ABN AMRO Bank Subordinated bond I	-	"	-	149,706	- %	149,706	- %	
"	Gilead Sciences, Inc. bond	-	"	-	122,380	- %	122,380	- %	
"	Microsoft Corporation bond	-	"	-	463,693	- %	463,693	- %	
"	Comcast Corporation USD bond	-	"	-	154,777	- %	154,777	- %	
"	Nvidia Corporation bond I	-	"	-	279,262	- %	279,262	- %	
"	Amazon.com, Inc. bond	-	"	-	402,214	- %	402,214	- %	
"	BMW US Capital LLC bond I	-	"	-	165,520	- %	165,520	- %	
"	UnitedHealth Group USD bond	-	"	-	279,638	- %	279,638	- %	
"	Toyota Motor USD bond	-	"	-	98,601	- %	98,601	- %	
"	AT&T USD bond	-	"	-	169,889	- %	169,889	- %	
"	AT&T USD bond	-	"	-	81,072	- %	81,072	- %	
"	Bristol-Myers Squibb USD bond	-	"	-	77,755	- %	77,755	- %	
"	The Goldman Sachs Group USD bond	-	"	-	188,401	- %	188,401	- %	
"	HSBC Holdings USD bond	-	"	-	51,164	- %	51,164	- %	
"	The Walt Disney Company USD bond	-	"	-	127,941	- %	127,941	- %	
"	Johnson & Johnson USD bond	-	"	-	254,877	- %	254,877	- %	
"	Verizon Communications USD bond	-	"	-	49,369	- %	49,369	- %	
"	Abbott Laboratories USD bond	-	"	-	49,778	- %	49,778	- %	
"	3M Company USD bond	-	"	-	125,211	- %	125,211	- %	
"	Nike, Inc. USD bond	-	"	-	217,352	- %	217,352	- %	
"	Merck & Company USD bond	-	"	-	136,618	- %	136,618	- %	
"	P&G USD bond	-	"	-	136,234	- %	136,234	- %	
"	WalMart Inc. USD bond	-	"	-	217,409	- %	217,409	- %	
"	Visa Inc. USD bond	-	"	-	78,428	- %	78,428	- %	
"	Qualcomm Technologies USD bond	-	"	-	137,132	- %	137,132	- %	
"	Pfizer USD bond	-	"	-	141,487	- %	141,487	- %	
"	Nestle S.A. USD bond	-	"	-	138,796	- %	138,796	- %	
"	American Express bond	-	"	-	80,654	- %	80,654	- %	
"	MUFG Bank bond	-	"	-	80,467	- %	80,467	- %	
"	Wells Fargo bond	-	"	-	78,508	- %	78,508	- %	
"	JPMorgan Chase bond	-	"	-	109,062	- %	109,062	- %	
"	Orsted A/S Green bond	-	"	-	370,604	- %	370,604	- %	
"	TSMC Bond	-	"	-	3,001,078	- %	3,001,078	- %	
"	Chungghwa Telecom bond	-	"	-	999,998	- %	999,998	- %	
"	Far Eastern New Century Corporation TWD bond	-	"	-	499,998	- %	499,998	- %	
"	Walsin Lihwa Corporation TWD bond	-	"	-	499,998	- %	499,998	- %	
"	Taiwan Power TWD bond	-	"	-	1,999,998	- %	1,999,998	- %	
"	Chailcase Finance TWD bond	-	"	-	498,736	- %	498,736	- %	
"	PineBridge Global ESG Quantitative Bond Fund A TWD	-	"	-	197,482	- %	197,482	- %	

(Continued)

## CHIMEI CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership during the year (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
CHILIN Technology Co., Ltd.	Shares in PARAGON SEMICONDUCTOR LIGHTING TECHNOLOGY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	2,000	3,819	6.06 %	3,819	6.06 %	
"	Chi Mei Frozen Food shares	Substantive related party	"	6,185	67,183	11.20 %	67,183	11.20 %	
"	The MediaTile Co., Inc. preference shares	-	"	1,199	-	2.18 %	-	2.18 %	
"	Shares in INOMA Corporation	-	"	552	1,012	5.63 %	1,012	5.63 %	
Zhenjiang CHIMEI Chemical Co., Ltd.	CNY structured deposit with China Construction Bank	-	Current financial assets at fair value through profit or loss	-	869,440	- %	869,440	- %	
"	CNY structured deposit with CTBC Bank	-	"	-	3,474,552	- %	3,479,552	- %	
Zhangzhou CHIMEI Chemical Co., Ltd.	CNY structured deposit with Bank of Jiangsu Co., Ltd.	-	"	-	1,526,736	- %	1,526,736	- %	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counterparty	Relationship with the company	Beginning Balance		Purchases		Sales			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	TSMC bond	Current financial assets at fair value through profit or loss	-	-	-	-	-	3,000,000	-	-	-	-	-	3,001,078
"	Changhwa Telecom Co., Ltd. bond	"	-	-	-	-	-	1,000,000	-	-	-	-	-	999,998
"	Microsoft Corporation bond	"	-	-	-	218,824	-	281,912	-	-	-	-	-	463,693
"	Far Eastern New Century Corporation TWD bond	"	-	-	-	-	-	500,000	-	-	-	-	-	499,998
"	Chailase Finance TWD bond	"	-	-	-	-	-	500,000	-	-	-	-	-	498,736
"	Walsin Libwa Corporation TWD bond	"	-	-	-	-	-	500,000	-	-	-	-	-	499,998
"	Taiwan Power TWD bond	"	-	-	-	-	-	2,000,000	-	-	-	-	-	1,999,998
"	Shares in Innolux Corporation	Current financial assets at fair value through other comprehensive income	-	-	270,930	3,820,107	-	-	270,930	4,765,202	4,765,202	-	-	-
"	Shares in Harwa General Chemical Co.,Ltd	Non-current financial assets at fair value through other comprehensive income	-	-	296	40,314	-	-	296	670,343	670,343	-	-	-
Zhangzhou CHIMEI Chemical Co., Ltd.	CNY structured deposit with Bank of Jiangsu CO.,LTD.	Current financial assets at fair value through profit or loss	-	-	-	-	-	1,520,085	-	-	-	-	-	1,526,736
Zhenjiang CHIMEI Chemical Co., Ltd.	CNY structured deposit with CTBC Bank	"	-	-	-	874,954	-	7,166,115	-	4,560,255	4,560,255	-	-	3,479,552

(Continued)

## CHIMEI CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of company	Category and name of security	Account name	Name of counterparty	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Zhejiang CHIMEI Chemical Co., Ltd.	CNY structured deposit with Bank of Jiangsu CO.,LTD.	Current financial assets at fair value through profit or loss	-	-	-	437,685	-	-	-	434,310	431,410	-	-	-
"	CNY structured deposit with China Construction Bank	"	-	-	-	2,186,724	-	20,412,570	-	21,715,500	21,715,500	-	-	869,440
"	CNY structured deposit with Bank of Communications Co., Ltd.	"	-	-	-	3,937,151	-	3,908,790	-	7,817,580	7,817,580	-	-	-
"	CNY structured deposit with E.SUN BANK	"	-	-	-	437,299	-	-	-	434,310	434,310	-	-	-
"	CNY structured deposit with Industrial And Commercial Bank Of China Limited	"	-	-	-	-	-	434,310	-	434,310	434,310	-	-	-

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counterparty	Relationship with the Company	If the counterparty is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Zhangzhou CHIMEI Chemical Co., Ltd.	Land right-of-use for PC and PS projects	2021.08.16	433,266	Paid in full	Branch Office of Development Zone in Gulei Port, Zhangzhou City, Fujian Province	None	-	-	-	-	Public tender	Plant construction	

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	CHILIN Technology Co., Ltd.	Subsidiary	Sale	(579,000)	(0.60)%	O/A 30 days	-	-	142,332	2.06 %	
"	"	"	Purchase	505,085	0.76 %	30 days after delivery	-	-	(48,769)	(1.07)%	
"	Zhejiang CHIMEI Chemical Co., Ltd.	Sub-sub-subsidiary	Sale	(6,126,778)	(6.34)%	O/A 90 days	-	-	2,369,386	34.24 %	
"	Lin Shine Engineering Plastics(Suzhou)Co.,Ltd.	Sub-sub-subsidiary	Sale	(970,520)	(1.00)%	O/A 90 days	-	-	225,570	3.26 %	
"	CHI MEI TRADING CO., LTD.	Substantive related party	Sale	(118,686)	(0.12)%	Advance receipt	-	-	-	- %	
CHILIN Technology Co., Ltd.	CHIMEI Corporation	Parent	Sale	(505,109)	(22.16)%	Due on the 1st of the next month after transaction	-	-	48,769	13.86 %	
"	"	"	Purchase	581,629	38.92 %	O/A 30 days	-	-	(142,332)	(58.32)%	

(Continued)

## CHIMEI CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Zhenjiang CHIMEI Chemical Co., Ltd.	Lin Shine Engineering Plastics (Suzhou) Co., Ltd.	Substantive related party	Sale	(268,513)	(0.34)%	O/A 30 days	-	-	104,367	1.58 %	
"	CHIMEI Corporation	Parent	Purchase	6,004,592	2.43 %	45 days after Bill of Lading (B/L) Date	-	-	(2,367,952)	(63.40)%	
"	Suzhou Newhuamei Plastics Co., Ltd.	Substantive related party	Sale	(209,358)	(0.26)%	Due on the 1st or the 16th, whichever date follows transaction.	-	-	17,381	0.26 %	
"	Qingdao Zhongxinhuamei Plastic Co., Ltd.	"	Sale	(650,162)	(0.82)%	Due on the 1st or the 16th, whichever date follows transaction.	-	-	197,173	2.99 %	
"	Zhangzhou CHIMEI Chemical Co., Ltd.	"	Sale	(674,353)	(0.85)%	Due on the 1st of the 3rd month after transaction	-	-	297,370	4.51 %	
"	Dongguan Sinochem Huamei Plastic Co., Ltd.	"	Sale	(122,758)	(0.15)%	O/A 20 days	-	-	22,174	0.34 %	
"	Danyang New Huamei Plastic Co., Ltd.	"	Sale	(157,579)	(0.20)%	Due on the 1st or the 16th, whichever date follows transaction.	-	-	35,797	0.54 %	
"	Lin Shine Engineering Plastics (Suzhou) Co., Ltd.	"	Purchase	175,767	0.07 %	Due on the 1st of the next month after transaction	-	-	(34,954)	(0.94)%	
Lin Shine Engineering Plastics (Suzhou) Co., Ltd.	CHIMEI Corporation	Parent	Purchase	964,321	56.91 %	O/A 90 days	-	-	(225,371)	(48.10)%	
"	Zhenjiang CHIMEI Chemical Co., Ltd.	Substantive related party	Purchase	267,933	15.81 %	O/A 30 days	-	-	(103,759)	(22.15)%	
"	"	"	Sale	(176,763)	(8.58)%	O/A 30 days	-	-	37,033	7.58 %	
Zhangzhou CHIMEI Chemical Co., Ltd.	"	"	Purchase	674,353	18.08 %	O/A 90 days	-	-	(297,370)	(27.74)%	

Note: The aforementioned inter-company transactions have been 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:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	Zhenjiang CHIMEI Chemical Co., Ltd.	Sub-sub-subsidiary	2,369,386	3.65	-	-	1,337,695	-
"	Lin Shine Engineering Plastics (Suzhou) Co., Ltd.	Sub-subsidiary	225,570	3.37	-	-	187,515	-
"	CHILIN Technology Co., Ltd.	Subsidiary	142,332	6.32	-	-	93,613	-
Zhenjiang CHIMEI Chemical Co., Ltd.	Qingdao Zhongxinhuamei Plastic Co., Ltd.	Substantive related party	197,173	3.23	-	-	155,618	-
"	Zhangzhou CHIMEI Chemical Co., Ltd.	Substantive related party	297,370	4.54	-	-	297,370	-
"	Lin Shine Engineering Plastics (Suzhou) Co., Ltd.	Substantive related party	104,367	4.11	-	-	97,525	-
Pumping Holding Co., Ltd. (Note 1)	Zhangzhou CHIMEI Chemical Co., Ltd.	Subsidiary	1,940,086	-	-	-	-	-
"	Lin Shine Engineering Plastics (Suzhou) Co., Ltd.	Substantive related party	242,845	-	-	-	-	-
Jentra Investment Co., Ltd. (Note 1)	Zhangzhou CHIMEI Chemical Co., Ltd.	Substantive related party	1,698,605	-	-	-	-	-
Nexgen Mediatech Inc. (Note 1)	Mirai Lifestyle Inc.	Subsidiary	100,102	-	-	-	-	-

Note 1: Loans to other parties, hence no turnover rate.

Note 2: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(ix) Trading in derivative instruments: Please refer to notes 6(b) and (x)

(Continued)

## CHIMEI CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counterparty	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	CHIMEI Corporation	Zhenjiang CHIMEI Chemical Co., Ltd.	1	Sales revenue	6,126,778	Note 3	3.43%
"	"	Lia Shine Engineering Plastics (Suzhou) Co., Ltd.	1	Sales revenue	970,520	"	0.54%
"	"	CHILIN Technology Co., Ltd.	1	Sales revenue	579,000	"	0.32%
"	"	"	1	Cost of sales	505,085	"	0.28%
"	"	Zhenjiang CHIMEI Chemical Co., Ltd.	1	Accounts receivable	2,369,386	"	1.53%
1	CHILIN Technology Co., Ltd.	CHIMEI Corporation	2	Sales revenue	505,109	"	0.28%
"	"	"	2	Cost of sales	581,629	"	0.33%
2	Zhenjiang CHIMEI Chemical Co., Ltd.	CHIMEI Corporation	2	Cost of sales	6,004,592	"	3.36%
"	"	Zhangzhou CHIMEI Chemical Co., Ltd.	2	Sales revenue	674,353	"	0.38%
3	Lia Shine Engineering Plastics (Suzhou) Co., Ltd.	CHIMEI Corporation	2	Cost of sales	964,321	"	0.54%
4	Zhangzhou CHIMEI Chemical Co., Ltd.	Zhenjiang CHIMEI Chemical Co., Ltd.	3	Cost of sales	674,353	"	0.38%
5	Jumping Holding Co., Ltd.	Zhangzhou CHIMEI Chemical Co., Ltd.	1	Accounts receivable	1,940,086	"	1.26%
6	Jentra Investment Co., Ltd.	Zhangzhou CHIMEI Chemical Co., Ltd.	3	Accounts receivable	1,698,605	"	1.10%

Note 1: The numbering is as follows:

Parent entity – 0

Subsidiary – starting from 1

Note 2: The numbering of the relationship between transaction parties is as follows:

1. Parent company to subsidiary.

2. Subsidiary to parent company.

3. Subsidiary to subsidiary.

Note 3: Same as arm's length transactions.

Note 4: The transaction amount is calculated as a proportion of the consolidated revenue or assets. If categorized as an asset or liability, the calculation is compared with the consolidated asset; if categorized as income or loss, the calculation is compared with the consolidated revenue.

Note 5: Transaction amounts not exceeding 300 million are not disclosed.

Note 6: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)/Shares

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Lushun Warehouse Co., Ltd.	Taiwan	Investment, construction, lease, and warehousing of liquid chemical storage tank and related facilities	61,297	61,297	5,400	30.00 %	216,933	30.00 %	81,845	24,553	
"	CHILIN Technology Co., Ltd.	"	Manufacture, processing, trading, importing, and exporting of plastic products	2,193,448	2,215,501	69,609	87.01 %	1,956,710	88.01 %	386,499	339,020	
"	Nexgen Mediatech Inc.	"	Manufacture and sale of electronic appliances and machinery	991,138	991,138	102,687	97.80 %	1,146,251	97.80 %	25,813	25,387	
"	CHIMEI Green Energy Corp.	"	Manufacturing power generators using renewable energies	1,000,000	1,000,000	100,000	100.00 %	1,001,988	100.00 %	6,774	6,767	
"	CHIMEI Industrial(H.K) Ltd.	Hong Kong	General investment	105,247	105,247	80	100.00 %	305,438	100.00 %	47,364	47,364	
"	Jumping Holding Co., Ltd.	Samoa	General investment	6,170,065	6,170,065	211,560	100.00 %	35,686,818	100.00 %	8,781,898	8,781,898	
CHILIN Technology Co., Ltd.	Lin Shine Optonics (HK) Company Ltd.	Hong Kong	"	-	1,225,227	-	- %	-	100.00 %	-	-	
"	CHI LIN OPTOELECTRONICS CO., LTD.	Taiwan	Manufacture of electronic components	1,953,102	2,130,011	7,582	33.22 %	-	33.22 %	(102,509)	-	318,880 (accumulated impairment losses)
Nexgen Mediatech Inc.	CMS Technology Inc.	"	Sale and repair of electrical appliances	50,091	50,091	5,000	100.00 %	55,284	100.00 %	1,123	1,125	
"	Mirai Lifestyle Inc.	"	Distribution and sale of home appliances	201,240	201,240	20,000	100.00 %	228,684	100.00 %	26,971	26,978	
Jumping Holding Co., Ltd.	Jentra Investment Co., Ltd.	USA	General investment	3,774,442	3,774,442	119	100.00 %	26,522,590	100.00 %	8,525,935	8,525,935	

Note 1: Carrying value refers to the balance of investment accounted for using the equity method, including share of profit/loss of investee and cumulative translation adjustments etc..

Note 2: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(Continued)

## CHIMEI CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Qingdao Zhongxinhuamei Plastic Co., Ltd.	The coloring, pelletizing, and improvement of plastic and the manufacture of plastic products.	45,689	(1)	-	-	-	-	46,419	28.66%	28.66%	13,304	69,663	-
Dongguan Sinochem Huamei Plastic Co., Ltd.	The coloring, pelletizing, and improvement of plastic and the manufacture of plastic products.	73,102	(1)	-	-	-	-	12,276	29.17%	29.17%	3,581	33,229	-
Danyang New Huamei Plastic Co., Ltd.	The coloring, pelletizing, and improvement of plastic and the manufacture of plastic products.	44,304	(1)	-	-	-	-	13,494	24.50%	24.50%	3,306	44,922	-
Suzhou Newhuamei Plastics Co., Ltd.	The coloring, pelletizing, and improvement of plastic and the manufacture of plastic products.	138,450	(1)	-	-	-	-	110,154	26.46%	26.46%	29,147	139,807	-
Zhenjiang CHIMEI Chemical Co., Ltd.	Manufacture, sale, and processing of plastic products	10,545,737	(1)	4,086,017	-	-	4,086,017	13,098,121	69.60%	69.60%	9,116,292	20,963,697	161,931
Lin Shine Engineering Plastics (Suzhou) Co., Ltd.	Manufacture and sale of engineering plastics	830,700	(2)	941,460	-	-	941,460	75,361	100.00%	100.00%	75,361	749,629	-
Zhangzhou CHIMEI Chemical Co., Ltd.	Manufacture of plastic materials in primary forms and synthetic resin	10,023,875	(1)	-	-	-	-	303,862	69.60%	69.60%	211,488	7,129,828	-

(ii) Limitation on investment in Mainland China:

	Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	4,086,017	16,490,193	56,947,904
CHILIN Technology Co., Ltd.	941,460	941,460	1,396,628

Note 1: (1) Indirect investment in Mainland China through a subsidiary in a third place.

(2) Direct investment in Mainland China.

Note 2: Based on financial statements prepared by the investee.

Note 3: The amounts denominated in foreign currency were translated into NTD using the exchange rate on the reporting date. ( U.S. dollar spot exchange rate and average exchange rate were respectively 27.690 and 28.0272 on December 31, 2021)

Note 4: For the Company, the upper limit is 60% of the consolidated net worth; for CHILIN Technology Co., Ltd., the upper limit is 60% of its net worth.

Note 5: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(Continued)

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information:**

(a) General information

The Group has two reportable segments: the electronics-related segment and the plastics and chemicals segment. The electronics-related segment manufactures and sells components related to electronics. The plastics and chemicals segment manufactures and sells products related to plastics and chemicals.

The reportable segments are the Group's strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies. Most of the strategic divisions were acquired separately. The management of the acquired divisions remains employed by the Group.

(b) Information about reportable segments and their measurement and reconciliations:

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, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 "significant accounting policies" except for the recognition and measurement of pension cost, which is on a cash basis.

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group's operating segment information and reconciliation are as follows:

December 31, 2021	Plastics and chemicals segment	Other segments	Adjustment and elimination	Total
<b>Revenue:</b>				
Revenue from external customers	\$ 175,516,080	3,155,611	-	178,671,691
Intersegment revenues	9,636,812	22,504	(9,659,316)	-
Interest revenue	685,924	851	(65,468)	621,307
<b>Total revenue</b>	<b>\$ 185,838,816</b>	<b>3,178,966</b>	<b>(9,724,784)</b>	<b>179,292,998</b>
Interest expenses	\$ 240,047	5,683	(66,635)	179,095
Depreciation and amortization	3,555,149	94,679	(30,031)	3,619,797
Share of profit (loss) of associates and joint venture accounted for using equity method	27,154,066	49,337	(27,129,512)	73,891
<b>Other material non-cash items</b>				
Impairment of assets	837,134	-	-	837,134
<b>Reportable segment profit (loss)</b>	<b>\$ 63,428,783</b>	<b>82,815</b>	<b>(27,129,377)</b>	<b>36,382,221</b>
<b>Assets:</b>				
Investments accounted for using equity method	\$ 95,679,881	287,621	(95,462,948)	504,554
<b>Reportable segment assets</b>	<b>\$ 256,836,691</b>	<b>4,249,105</b>	<b>(107,223,900)</b>	<b>153,861,896</b>
<b>Reportable segment liabilities</b>	<b>\$ 56,074,413</b>	<b>1,769,301</b>	<b>(11,493,879)</b>	<b>46,349,835</b>
<b>December 31, 2020</b>				
<b>Revenue:</b>				
Revenue from external customers	\$ 115,250,050	1,976,352	-	117,226,402
Intersegment revenues	4,261,134	14,764	(4,275,898)	-
Interest revenue	440,100	3,374	(26,782)	416,692
<b>Total revenue</b>	<b>\$ 119,951,284</b>	<b>1,994,490</b>	<b>(4,302,680)</b>	<b>117,643,094</b>
Interest expenses	\$ 154,188	831	(26,907)	128,112
Depreciation and amortization	3,257,753	66,141	(24,939)	3,298,955
Share of profit (loss) of associates and joint venture accounted for using equity method	20,966,241	46,565	(20,944,471)	68,335
<b>Other material non-cash items</b>				
Impairment of assets	256,049	-	-	256,049
<b>Reportable segment profit (loss)</b>	<b>\$ 44,022,898</b>	<b>95,654</b>	<b>(20,944,970)</b>	<b>23,173,582</b>
<b>Assets:</b>				
Investments accounted for using equity method	\$ 73,524,657	257,099	(73,165,707)	616,049
<b>Reportable segment assets</b>	<b>\$ 204,684,503</b>	<b>3,650,444</b>	<b>(83,209,213)</b>	<b>125,125,734</b>
<b>Reportable segment liabilities</b>	<b>\$ 44,938,086</b>	<b>1,248,947</b>	<b>(9,913,882)</b>	<b>36,273,151</b>



**CHIMEI CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The material reconciling items of the above reportable segment are as below:

Total reportable segment revenue after deducting the intersegment revenue was \$9,659,316 in 2021 and \$4,275,898 in 2020.

(c) Products and services information

Please refer to note 6(t) for the Group's operating segments classified by products.

(d) Geographic Information

Please refer to note 6(t) for the Group's geographic 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.

<u>Geographic information</u>	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Non-current assets:		
Taiwan	\$ 26,589,280	25,774,951
Other countries	<u>26,857,119</u>	<u>21,458,788</u>
Total	<u><u>\$ 53,446,399</u></u>	<u><u>47,233,739</u></u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and other non-current assets, but exclude financial instruments, non-current deferred tax assets and other financial assets.

(e) Major customers

Customers representing more than 10% of the revenues disclosed in the consolidated statement of income for the years ended December 31, 2021 and 2020: None.

CHIMEI CORPORATION



Chairman: HSU, CHUN-HUA



**CHIMEI**  
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