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Daxin Materials Corporation
2021 Annual Report

Printed on May 5, 2022

Daxin Materials Corporation
2021 Annual Report

Spokesperson:	Name: Tsung-Hsing Kuo Title: President Tel: (04)24608889 Email: ir@daxinmat.com
Deputy Spokesperson:	Name: Yen-Chen Liu Title: Chief Financial Officer Tel: (04)24608889 Email: ir@daxinmat.com

Location of Headquarters, Branch Office, and Factory Plants:

Address of Headquarters:	No. 15 Keyuan 1st Rd., Central Taiwan Science Park, Taichung City
Northern Area Branch:	Rm. B502J, 5F.-2, No. 185, Kewang Rd., Longtan Township, Taoyuan County
Chungkang Branch:	No.2, Jian 8th Rd., Wuqi Dist., Taichung City
Address of Plants:	Chungke Plant: No. 15 Keyuan 1st Rd., Central Taiwan Science Park, Taichung City Chungkang Plant: No.2, Jian 8th Rd., Wuqi Dist., Taichung City
Tel:	(04)24608889

Share Transfer Agency

Company Name:	Stock Transfer Agent, Taishin Securities Co., Ltd.
Address:	Rm. B1, No. 96, Jianguo N. Rd., Zhongshan Dist., Taipei City
Website:	https://www.tssco.com.tw
Tel:	(02)25048125

Auditing CPA and Accounting Firm

Name of CPA:	CPA Chien-Hai Lu, CPA Mei-Yu Tseng
Name of Accounting Firm:	KPMG Taiwan
Address:	68F., No. 7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City
Website:	https://home.kpmg/tw
Tel:	(02)81016666

Names of stock exchanges where foreign securities are listed and method of inquiry on the information of foreign securities:
Name of stock exchanges where foreign securities are listed: None

Method of inquiry on the information of foreign securities: None

The Company’s website: https://www.daxinmat.com

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Chapter 1 Letter to Shareholders

Dear Shareholders,

2021 was a year of recovery from the COVID-19 pandemic. With the increase of vaccination coverage and continued growth in economic activity, the global economic recovery was driven by robust market demand.

In terms of display materials, while there was a slump in the output of display due to reduced capacity in integrated circuit (IC)–from upstream materials, the demand for displays boosted by the stay-at-home economy was rising in the second half of 2021. In addition, as the new product has entered high-volume manufacturing, the revenue in display materials has increased. Despite being affected by a shortage in materials supply and appreciation of the New Taiwan Dollar, the overall revenue in 2021 increased 5.1% year-over-year.

Daxin has been actively expanding into the semiconductor materials market in recent years. Our revenue from semiconductor materials increased 34.3% year-over-year, though it did not make a significant contribution to total revenue. The new plant at Advanced Manufacturing Center (AMC II) has been built in 2021 to meet the needs for high-volume manufacturing of semiconductor materials and key raw materials. As the new plant is certified and the demand for local chemical materials arises, the revenue from semiconductor materials is expected to grow.

Financial Performance

1. Operating revenue
   Consolidated operating revenue in 2021 was NT$4.513 billion, representing a NT$217 million increase from the NT$4.296 billion in 2020, or 5.1% growth.
2. Operating income
   Consolidated operating income in 2021 was NT$768 million, representing a NT$35 million increase from the NT$733 million in 2020, or 4.7% growth.
3. Profit after tax
   Profit after tax in 2021 was NT$680 million, representing a NT$49 million growth from the NT$631 million in 2020, or 7.8% growth.

Research and Development:

Daxin's three major product markets include display materials, semiconductor materials, and key raw materials. In 2021, we spent NT$440 million toward research and development (R&D), and invested a significant amount of resources innovating products and advanced manufacturing technology, acquiring precision equipment and instruments, and building plants and high-purity production lines.

In terms of **display materials**, though the LCD market has entered a maturity phase, there are few market competitors for products with high entry barriers and high profits, such as the PI alignment layer which has only a few competitors; and though there are many competitors for photo resist products, since it is heavily used by the LCD companies, we can effectively increase its profitability by reducing the cost of high-priced raw materials. Our marketing and R&D strategies of display materials are based on producing products with high entry barriers also high profitability, and reducing costs of products.
As the next generation of display technology is emerging, we are also committed to innovating and developing materials for e-Paper, eSports, automotive, and microLED displays. With the growth of market demand, we will begin to produce new products.

As for **semiconductor and key raw materials**, we have invested enormous R&D resources toward chemistry, process, and manufacturing facilities in these two fields to develop high-end products of high-quality, low-particle and low ionic impurities (the concentration requirement of ionic impurity of certain products have even reached ppt. levels). Though we did not experience major revenue growth in 2021, we have reached important progress in terms of overall product strategies and development. Moreover, we have joined the Angstrom Semiconductor Initiative grant (priority will be given to R&D of wafer buffer layer, the regulated material) from the Ministry of Economic Affairs (MOEA). Currently, more than half of our R&D resources are dedicated to the semiconductor materials, and some of the products which are under development will be used to replace existing products, while others are being innovated in response to clients' advanced processes or new products. Most of the materials will be applied to advanced packaging process and advanced wafer process including front-end-of-line (FEOL) and backend-of-the-line (BEOL). Some of the aforementioned materials have begun transferring to high-volume manufacturing, while others have received Process of Record (POR) from clients, and will demonstrate relatively higher revenue contribution when our clients begin high-volume manufacturing. In addition, our clients include both domestic and foreign customers.

- Semiconductor material products:
  Organic release layer: it has commenced high-volume manufacturing for wafer-level packaging (WLP) clients, and small-volume manufacturing for panel-level packaging (PLP) clients.
  Photosensitive dielectrics: it applies various new types of packaging structure for advanced packaging processes, and serves as a bridge of interconnects to connect multiple dies with redistribution layers. It trumps all over packaging materials in terms of growth in future demand and market size.
  Temporary protection layer: a temporary, organic protective material used during the post-process of silicon wafer. It can be removed by wet cleaning or dry etching after the process.
  Other products such as special removers, photoresist strippers, and photoresist topcoat are also being developed and undergoing client verifications.
- Key raw material products:
  The major products include: special anhydrides, special epoxy resins, crosslinkers, or additives, and these are used in displays, semiconductors, epoxy packaging materials, or other electronic materials. They are characterized by their high purity and low ionic impurities. Daxin's processing and equipment technical competency can produce small-batch and diverse types of high-end chemical products to be used in various formulations by the materials industry, thereby meeting the industry demand for high-quality and specialty key electronic materials. Though the production and sales of these products are time-consuming and take longer-term to complete, such products will have relatively long product life cycles once they have been successfully promoted.

Outline of Business Plan

In 2021, Daxin generates a significant portion of revenue from LCD materials, and launches next-generation display materials, semiconductor materials, and key raw materials to provide additional sources of revenue.

The surging demand for electronic products in the post-pandemic era and the rise of the eSports industry have accelerated the development of a new generation of display technologies. In particular, high resolution (HR), high contrast, wide color gamut (WCG), flexible OLED, and Micro-LED technologies are expected to become popular trends. We aim to enhance our competitive edge through developing new products and reducing costs.

As the technologies of semiconductor manufacturing process continue to advance in recent years, its demand for both material quality and specification has become more and more meticulous; therefore, the development and verification process of semiconductor materials has been prolonged. By proactively interacting with customers, we have shortened the product verification schedules. Key semiconductor products include the following:

1. Develop new materials required for next-generation 3D architectures and heterogeneous integration.
2. Complete the development of materials related to the processes of FEOL and BEOL in both advanced processes and mature processes, and undergo verification at clients' end.
3. Build high-purity production lines of synthesis, purification, and formulation. Improve precision manufacturing and purification technologies to provide ultra-high purity, high-quality, and consistent semiconductor-grade chemical products.

In terms of key raw materials, we will focus on the research and development of PI functional monomers, patented liquid crystal molecules, specialty cross-linkers, and additives. Additionally, we will improve our self-supply over various raw materials to avoid the instability of upstream supply chain.

Future Outlook

Daxin's development strategies are focused on developing semiconductor materials and key raw materials with the support and technical experiences from display materials. Besides focusing on semiconductor materials and key raw materials, we continue to seek opportunities in 5G, electric vehicles, and various electronic component materials.

At Daxin, we believe good corporate governance aligned with our core values ultimately fosters sustainability. We promote Corporate Social Responsibility (CSR) policies and strive to practice in our business, such as offering graduate scholarship to support scientific education and actively involving in corporate volunteering. We will continue to deliver sustainable operations, build a diverse and inclusive workplace, and care for our society.

Looking forward, through our sustained investment in and dedication to research and development, Daxin aims to be a leading company for materials innovations. We will continue to invest 10% of revenue in R&D, and more than half of the workforce involved in R&D. Finally, we would like to extend our sincere appreciation to all of our shareholders for your long-term trust and continuous support.

Chairman:	*Cheng-Yih Lin*
President:	*Tsung-Hsing Kuo*
Chief Financial Officer	*Yen-Chen Liu*

Chapter 2 Company Profile

2.1 Company Profile

Founded on July 12, 2006, Daxin Materials Corporation started as a joint venture from AU Optronics Corp. and Eternal Materials Co., Ltd., and headquartered in Central Taiwan Science Park. Daxin began initial public offering (IPO) on the Taiwan Stock Exchange (TWSE) on July 16, 2012.

Focused on basic scientific knowledge, Daxin aims to be a design house for chemical materials. By integrating simulated analysis and experimental design, focusing on diverse materials R&D, and materials development and innovations, Daxin have always strived to deliver better solutions that meet our customers' needs. With business expansion needs, Daxin is continuously recruiting new R&D talent and investing in equipment while actively expanding toward European, American, Japanese, and Chinese markets.

Persisting in the management philosophy for innovation, Daxin integrates the **core foundation in photochemistry** with core technologies including color simulation, molecular structural simulation design, dispersion science, surface chemistry, organic and inorganic material hybrid technology, monomer synthesis, macromolecular synthesis, **nano dispersion and silicon chemistry** to provide the most advanced and customized chemical materials to the application fields of displays, semiconductors, and key raw materials.

2.2 Milestones

Jul. 2006	Joint venture by Konly Venture Corporation, a subsidiary of AU Optronics Corp., and Eternal Materials Co. Ltd.
Oct. 2006	Hukou Laboratory was established.
Mar. 2007	Photo spacers (PS) began to produc.
Apr. 2007	Began production output of TNPI alignment layer.
Aug. 2007	Obtained ISO-9001 Quality Management System certification.

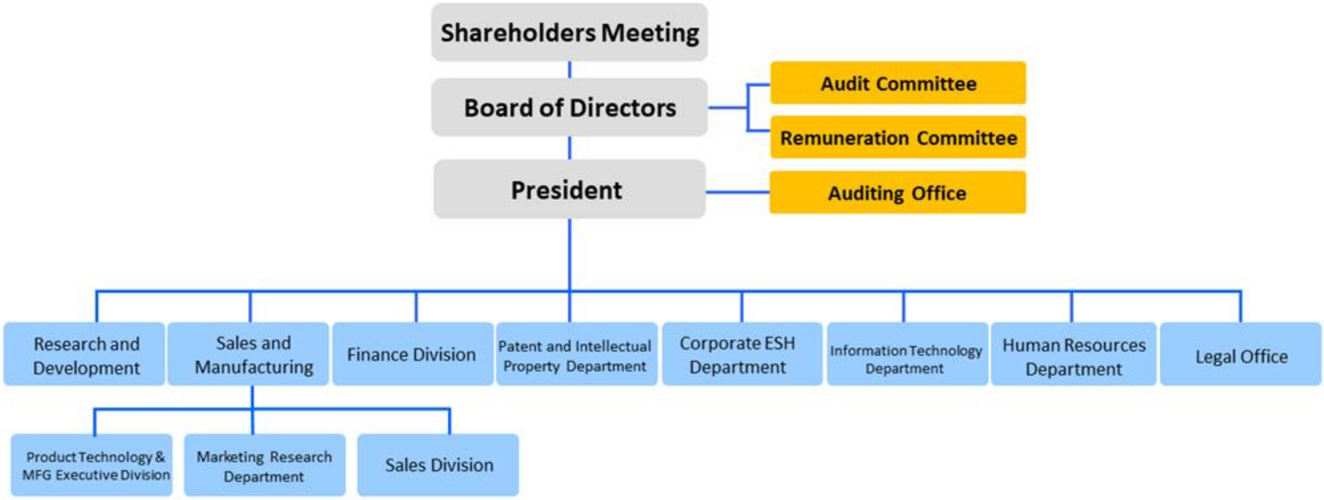
Jun. 2008	Obtained ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety certifications.
Jun. 2010	LCD TNPI alignment layer received “Excellent Product Award” from the 10th Gold Panel Awards.
Nov. 2010	Relocated headquarters to Central Taiwan Science Park.
Nov. 2010	Japanese subsidiary LS Materials Corporation was established.
Nov. 2010	Obtained ISO 14061-1 Greenhouse Gas Inventories certification.
Jan. 2011	Received “Supplier GHG Inventories and Verification Demonstration Plan” Award and became a green partner to AU Optronics Corp.
Jan. 2011	Established Chungke Plant.
Apr. 2011	Authorized for public listing and trading by Securities and Futures Bureau, FSC.
Jul. 2012	Began initial public offering (IPO) on the Taiwan Stock Exchange (TWSE).
Dec. 2012	Established sales office in China.
Feb. 2013	Selected as the 1st Taiwan Mittelstand Award by MOEA.
Sep. 2014	Began production output of liquid crystal products.
Dec. 2014	Began production of 4K 2K display copper etchant.
Jan. 2015	Services commenced at the Instrument Analysis Lab.
Feb. 2015	Established Chungkang Branch.
Oct. 2016	Began production output of PSAPI alignment layer.
Jan. 2018	R&D Center completed construction and commenced operation.
Nov.2018	Began production output of semiconductor material products.
Mar. 2020	Commenced construction of new plant for semiconductor and key raw materials
Jun. 2020	Obtained ISO 45001 Occupational Health and Safety System certification.
Aug. 2021	New plant for semiconductor and key raw materials plant completed construction.

Chapter 3 Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart

April 30, 2022



3.1.2 Major Corporate Functions

Department	Roles and Responsibilities
Auditing Office	Internal control system management, with an independent risk assessment to ensure compliance with the Company's policies and procedures
Patent and Intellectual Property Department	Research and Internal control system management, with an independent risk assessment to ensure compliance with the Company's policies and procedures
Sales and Manufacturing	1. Product Technology & MFG Executive Division Assurance of the quality and reliability of the Company's products; addressing customers' quality-related issues; procurement, warehousing, and logistics support; production and manufacturing 2. Marketing Research Department New business development; identification of market trends and analysis input for the company's product portfolio management 3. Sales Division New product launch positioning, pricing, and sales strategies; strengthening customer relationship

Department	Roles and Responsibilities
Research and Development	Advanced chemical materials technology, equipment technology, process technology development; new product design, strategies, and verification to offer innovative and value-added solutions for customers
Corporate ESH Department	Occupational health, industrial safety, and operating risk management
Finance Division	Corporate finance, accounting, tax, treasury and asset, strategic investments, and investor relations
Legal Office	Corporate legal affairs including regulatory compliance, commercial transactions, contracts and management of other intellectual properties, and litigation
Information Technology Department	Information system management, infrastructure development and operation; ensuring IT security and service quality
Human Resources Department	Attraction, development, and retention of an engaged workforce to build a long-term future with the company; implementation of organizational development aligned with corporate strategy

3.2 Information on the Company's Directors, President, Vice President, Associate Managers, and Managers of Each Departments and Divisions

3.2.1 Information on the Directors

Unit: Shares; % April 30, 2022

Title / Name	Nationality/ Place of Registration	Gender/ Age	Date Elected	Term (Years)	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held through Nominees		Primary work or academic experiences	Position Concurrently Held in the Company and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
Chairman Cheng-Yih Lin	R.O.C.	Male/ 61-70	2020.6.19	3 Years	2014.7.1	2,299	2.24	2,299	2.24	0	0.00	0	0.00	· Ph.D., Chemical Engineering, Carnegie Mellon University · Chairman & Chief Strategy Officer, AUO Crystal Corp. · Senior Vice President, AU Optronics Corp. · Director, AU Optronics Corp.	· Chairman & Chief Executive Officer, Daxin Materials Corp.
Director Tsung-Hsing Kuo	R.O.C.	Male/ 61-70	2020.6.19	3 Years	2006.6.30	232	0.23	232	0.23	830	0.81	0	0.00	· B.S., Chemical Engineering, National Taiwan University · E.M.B.A., National Sun Yat-sen University · President, Eternal Chemical Industry (China) Co., Ltd.	· President, Daxin Materials Corp.
Director Eternal Materials Co. Ltd.	R.O.C.	--	2020.6.19	3 Years	2006.6.30	23,424	22.80	23,424	22.80	—	—	—	—	—	—
Representative: Chin-Cheng Pan	R.O.C.	Male/ 51-60	—	—	—	0	0.00	0	0.00	0	0.00	0	0.00	· M.S., Chemistry, National Cheng Kung University	· Chief Operating Officer, Eternal Materials Co. Ltd. · Director, Eternal Specialty Materials (Zhuhai) Co., Ltd. · Director, Eternal Specialty Materials (Suzhou) Co., Ltd.

Title / Name	Nationality/ Place of Registration	Gender/ Age	Date Elected	Term (Years)	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held through Nominees		Primary work or academic experiences	Position Concurrently Held in the Company and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
															· Director, ESCO Specialty Coating (Shanghai) Co., Ltd. · Director, Eterkon Semiconductor Materials Co., Ltd.
Representative: Chi-Kang Chang	R.O.C.	Male/ 51-60	—	—	—	0	0.00	0	0.00	0	0.00	0	0.00	· Ph.D., Chemistry, National Sun Yat-sen University	· Deputy Director of R&D Center, Eternal Materials Co. Ltd.
Director Konly Venture Corporation	R.O.C.	-	2020.6.19	3 Years	2006.6.30	19,114	18.61	19,114	18.61	—	—	—	—	—	—
Representative: Wei-Lung Liau	R.O.C.	Male/ 51-60	—	—	—	0	0.00	0	0.00	0	0.00	0	0.00	· Ph. D., Applied Chemistry National Chiao Tung University	· Senior Vice President, AU Optronics Corp. · Director, Iris Optronics Co., Ltd. · Director, AU Optronics (Suzhou) Corp., Ltd. · Director, AU Optronics (Xiamen) Corp. · Director, AU Optronics Manufacturing (Shanghai) Corp. · Director, Birview (Xiamen) Co.
Representative: Shih-Hung Liao	R.O.C.	Male/ 41-50	—	—	—	0	0.00	49	0.05	0	0.00	0	0.00	· M.S., Chemical Engineering, National Taiwan University · Chairman and President, AUO Crystal Corp. · Vice President , AU Optronics Corp.	· President, AUO Display Plus Corporation · Director, Jector Digital Corporation · Executive Director, AUO Display Plus Technology (Suzhou) Co., Ltd.

Title / Name	Nationality/ Place of Registration	Gender/ Age	Date Elected	Term (Years)	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shares Held through Nominees		Primary work or academic experiences	Position Concurrently Held in the Company and Other Companies
						Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director Chia-Ching Tong	R.O.C.	Male/ 71-80	2020.6.19	3 Years	2011.8.9	0	0.00	0	0.00	0	0.00	0	0.00	· B.S., Chemistry, National Chun Hsing University · Chairman, Taiwan Printed Circuit Association (TPCA) · Executive Vice President, Compeq Manufacturing Co., Ltd.	· Independent Director, Gallant Precision Machining Co., Ltd.
Independent Director Wei-Shun Cheng	R.O.C.	Male/ 51-60	2020.6.19	3 Years	2020.6.19	42	0.04	0	0.00	0	0.00	0	0.00	· M.S., Accounting, Northern Illinois University · Chief Financial Officer, AU Optronics Corp. · Director, Darwin Precisions Corporation · Director, Raydium Semiconductor Corporation · Director and Vice President, M.SETEK Co., Ltd. · Director, Lextar Electronics Corp.	· Director, SHIRRE LAB Corp. · Independent Director, Raydium Semiconductor Corporation · Independent Director, Chenbro Micom Co., Ltd. · Independent Director, Unictron Technologies Corporation
Independent Director Xin-Wu Lin	R.O.C.	Male/ 51-60	2020.6.19	3 Years	2020.6.19	0	0.00	0	0.00	0	0.00	0	0.00	· Ph.D., Economic, National Taiwan University · Committee Member, 6th term of the Fair Trade Committee, Executive Yuan · Director of Research Division III, Taiwan Institute of Economic Research	· Vice President, Taiwan Institute of Economic Research · Independent Director, Taiwan Business Bank, Ltd. · Independent Director, Fittech Co., Ltd.

Remark:

1. **Any Manager or Director who is a spouse or relative within the second degree of kinship:** None.
2. **If the chairman, president or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, the reasons, reasonability, necessity and measures to be taken accordingly shall be addressed:**
   The major responsibilities of the Company’s Chairman is to preside over Board of Directors meetings and to execute tasks authorized by the Board of Directors; the CEO is responsible for the Company's sustainable operation and the achievement of long-term development strategy; the President is responsible for the planning and management of the Company's daily operations. The powers and duties are clearly divided between the chairman and CEO, and the president, and no more than half of all Directors concurrently serve as either employees or managers. In addition, we also plan to add one more seat of Independent Director to strengthen the independence of the Board.

Major Shareholders of the Corporate Shareholders

Name of the Corporate Shareholder	Major Shareholders of the Corporate Shareholders
Konly Venture Corp.	AU Optronics Corp. (100.00%)
Eternal Materials Co. Ltd. (Note)	Kwang Yang Motor Co., Ltd. (9.99%) Ying-Shih, Kao (6.31%) Kwang Hsing Industrial Co., Ltd. (5.74%) Kuo-Lun, Kao (4.37%) Fubon Life Insurance Co., Ltd. (3.48%) LGT Bank AG in custody of Standard Chartered (1.80%) Taiwan Cooperative Bank, Ltd. (1.75%) Ying-Chih, Kao (1.60%) Huai-Kun Yang (1.27%) Jia-Cheng Co., Ltd. (1.24%)

Note: The shareholdings are as of July 29, 2021, the book closure date of Eternal Materials Co. Ltd.

Major shareholders of corporation who are the major shareholders of the Company's corporate shareholders

Name of the corporate	Major shareholders of the corporation
AU Optronics Corp. (Note 1)	Qisda Corporation (6.90%) Trust Holding for Employees of AU Optronics Corp. (4.88%) Quanta Computer Inc. (4.61%) ADR of AU Optronics Corp. (2.63%) Yuanta Taiwan Dividend Plus ETF (1.40%) Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds (1.05%) New Labor Pension Fund (0.91%) JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (0.79%) Goldman Sachs International (0.77%) Fubon Life Insurance Co., Ltd. (0.62%)

Note 1: Source: AU Optronics Corp.'s website (date: June 28, 2021)
Note 2: Source: Eternal Materials Co. Ltd. 2020 Annual Report
Note 3: Source: Department of Commerce, MOEA Commerce Industrial Services Portal
Note 4: Source: Eternal Materials Co. Ltd.

Name of the corporate	Major shareholders of the corporation
Kwang Yang Motor Co., Ltd. (Note 2)	TrustWin Co., Ltd. (11.31%) SunBright Investment Co., Ltd. (7.99%) Kuang Chou Investment Co., Ltd. (6.66%) Daming Investment Co., Ltd. (6.33%) Kwang Hsing Industrial Co., Ltd. (5.39%) Chia-Cheng, Ke (1.05%) Hung-Ming, Ko (1.03%) Shu-Yuan, Ko Wang (1.03%) Hsing-Lang, Ko (1.00%) Hung Sheng Investment Co. Ltd. (1.00%)
Kwang Hsing Industrial Co., Ltd. (Note 3)	Kwang Yang Motor Co., Ltd. (100%)
Fubon Life Insurance Co., Ltd. (Note 3)	Fubon Financial Holding Co., Ltd. (100%)
Taiwan Cooperative Bank, Ltd (Note 3)	Taiwan Cooperative Financial Holding Co., Ltd. (100%)
Jia-Cheng Co., Ltd. (Note4)	Chiang-ting International Corporation (12%) Kuo-Lun Kao (9%) Chia-Jung Lee (9%) Fu-Ting Kao (2%)

Professional Qualifications of the Directors and the Independent Directors' Independence:

1. Directors' Professional Qualifications and Experiences:
   Directors have a wide range of work experiences from the fields of chemistry, chemical engineering, business management, mechanical engineering, and financial management, and none are involved in any conditions stipulated by Article 30 of the Company Act. The professional qualifications and experiences of the Directors are as the following:
   - <u>Chairman, Cheng-Yih Lin</u>
     Cheng-Yih Lin graduated from Chemical Engineering Department of National Taiwan University and has obtained a Ph.D. degree in Chemical Engineering from Carnegie Mellon University in the U.S. He concurrently serves as Daxin's Chairman and CEO. After joining AUO in 2000, Lin joined Daxin Materials Corp. in 2006 and is committed to the development of key chemical materials. He is particularly focused on developing the skills and capacity of the R&D team. Daxin's R&D has gradually expanded from LCD chemical materials to touch panel materials, semiconductor materials, and key raw materials with even higher specifications under Lin's leadership.

   - <u>Director, Tsung-Hsing Kuo</u>
     Mr. Kuo graduated from Chemical Engineering Department of National Taiwan University and has obtained an E.M.B.A. degree from National Sun Yat-sen University. He joined Eternal Materials in 1981 and transfer to Daxin in 2006. Mr. Kuo is currently the President of Daxin, and has led our company to grow along with Chairman Cheng-Yih Lin by focusing on the R&D and innovations of specialty chemicals, thereby bringing diversified development and opportunities to Daxin.

   - <u>Representative of Eternal Materials Co. Ltd., Chin-Cheng Pan</u>
     Mr. Pan holds a M.S. in Chemistry from National Cheng Kung University and is currently the Chief Operating Officer of Specialty Materials division of Eternal Materials Co., Ltd. He is in charge of the strategic planning and execution of the management and development of specialty materials, as well as supervises the implementation of management objectives.

   - <u>Representative of Eternal Materials Co. Ltd., Chi-Kang Chang</u>
     Mr. Chi-Kang Chang holds a Chemistry Ph.D. from National Sun Yat-sen University and joined Eternal Materials in 1998. He currently serves as a Deputy Director at Eternal Materials' R&D Center and has more than 20 years of experience in research and development of chemical materials.

   - <u>Representative of Konly Venture Corporation, Wei-Lung Liau</u>
     Mr. Liau holds a Ph.D. in Applied Chemistry from National Chiao Tung University and is currently the Chief Technology Officer of AUO. He has served several key positions in manufacturing, product research and development, Advanced Display Technology Research Center and Video Solutions Business Group., and has over 20 years of experience in the display field.

   - <u>Representative of Konly Venture Corporation, Shih-Hung Liao</u>
     Mr. Shih-Hung Liao holds a M.S. degree in Chemical Engineering from National Taiwan University and currently serves as the President of AUO Display Plus. He joined AUO in 1998 and has served in various important functions, including subsidiary AUO Crystal Corp.'s President in 2012, and was promoted to become AUO Crystal Corp.'s Chairman in 2018. In the same year, he rejoined AUO as Vice President of its Energy Head Office and tranfer to the Vice President of AUO's Commercial and Industrial Display Head Office in 2020.

- Independent Director, Chia-Ching Tong

  Mr. Tong graduated from the Chemistry department of National Chun Hsing University and has served as its Executive Vice President at Compeq Manufacturing Co., Ltd. From 1973 to 2004. Thereafter he was the President of Hung Sheng Electric Integration Technology Co., Ltd. until 2009. He also served as the President of Taiwan Printed Circuit Association (TPCA). Mr. Tong has worked in the PCB industry for many years, and has acquired a wealth of experience in this industry.

- Independent Director, Wei-Shun Cheng

  Mr. Wei-Shun Cheng holds a Master's degree in Accounting from Northern Illinois University and is a Certified Public Accountant in Taiwan. He has expertise in both accounting and finance and has served at AUO from 1996 to 2018 in various key functions, including its Executive Vice President and Chief Financial Officer and more.

- Independent Director, Xin-Wu Lin

  Mr. Lin Holds a Ph.D. in Economics from National Taiwan University, and joined Taiwan Institute of Economic Research in 2000. He is currently its Vice President and Researcher and excels in innovative policy and strategies, including innovative policy, entrepreneurial policy, emerging industries, competitive laws and regulations, and legal compliance and more. He has expertise in multiple fields and concurrently serves as an Independent Director of Representative of Finance Department of Taiwan Business Bank and Senior Consultant of Competitive Legal Compliance at AUO.

2. Independence of the Independent Directors:

- All Independent Directors have issued the "Statement of Compliance to Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies" during nomination, and the Board of Directors have reviewed that they have all met the criteria for independence.
- None of the Independent Directors serve as an employee, Director, or Supervisor of Daxin or its affiliates, none are holding Daxin's shares, and none are the spouses or relatives within the second degree of kinship to Daxin's managers and Directors.
- In the recent two years, neither Daxin or any of its affiliates have paid remunerations for other services to the Independent Directors.
- All Independent Directors meet the criteria for independence, their shareholding, position concurrently held in Daxin and other companies, and relations with members of Daxin, please refer to Page 10.

Diversification and Independence of the Board of Directors:

1. Daxin's "Corporate Governance Principles" clearly stipulates that the composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as the Company's managers not exceed 1/3 of the total number of the board members, and that an appropriate policy on diversity based on the Company's operations, operating dynamics, and developmental needs be formulated and include, without being limited to, the following two general standards:
   I. Basic requirements and values: Gender, age, nationality and culture etc.
   II. Professional knowledge and skills: Professional background, professional skills, and industry experiences etc.

2. Status of the Diversification and Independence of the Board of Directors:

Name	Title	Basic criteria and values					Professional knowledge and skills	
		Gender	Employees Identification	Age			A Judge, Prosecutor, Lawyer, CPA or Other Professional Who Are Necessary for the Company's Business and Who Has Been Certified by National Examinations and Licensed by the Competent Authorities	Work Experience Necessary for Business Administration, Legal Affairs, Finance, Accounting, or the Business Sector of the Company
				Age 55 or less	Age 56-65	Over age 66		
Cheng-Yih Lin	Chairman	Male	✓			✓		✓
Tsung-Hsing Kuo	Director	Male	✓		✓			✓
Chin-Cheng Pan	Director	Male			✓			✓
Chi-Kang Chang	Director	Male		✓				✓
Wei-Lung Liau	Director	Male		✓				✓
Shih-Hung Liao	Director	Male		✓				✓
Chia-Ching Tong	Independent Director	Male				✓		✓
Wei-Shun Cheng	Independent Director	Male			✓		✓	✓
Xin-Wu Lin	Independent Director	Male			✓			✓

3. Daxin has 9 Directors. All members of the board have rich industry experiences including chemistry, chemical engineering, business management, mechanical engineering, and financial management and more.
   Approximately 22% of the Board of Directors concurrently serve as Daxin's employees. Daxin has 3 Independent Directors, and the ratio of Independent Directors to all Directors is approximately 33%. There are no the spouses, or relatives within the second degree of kinship to Directors of the Company, and none of the Directors are involved in matters specified in Items 3 and 4 of Article 26 of the Securities and Exchange Act.

4. Management goals and achievements:

Management goal	Status
Composition of the Board of Directors includes at least 2 types of industry experience	Achieved
Not exceed 1/3 of the Directors concurrently serve as the Company's managers	Achieved

3.2.2 President, Vice Presidents, Associate Managers, and Managers of Each Departments and Divisions

Unit: 1,000 Shares; % April 30, 2022

Title	Nationality	Name	Gender	Appointment Date	Shares Held		Shares Held by Spouse & Minors		Shares Held through Nominees		Experience (Education)	Other Positions	Managers Who are Spouses or Within the Second Degree of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chief Executive Officer	R.O.C.	Cheng-Yih Lin	Male	2012.09.10	2,299	2.24	0	0.00	0	0.00	Ph.D., Chemical Engineering,Carnegie Mellon University Chairman & Chief Strategy Officer, AUO Crystal Corp. Senior Vice President, AU Optronics Corp. Director, AU Optronics Corp.	—	—	—	—
President	R.O.C.	Tsung-Hsing Kuo	Male	2006.06.30	232	0.23	830	0.81	0	0.00	B.S., Chemical Engineering, National Taiwan University E.M.B.A., National Sun Yat-sen University President, Eternal Chemical Industry (China) Co., Ltd.	—	—	—	—
Executive Vice President	R.O.C.	Feng-Yu Chuang	Male	2004.01.02	15	0.01	0	0.00	0	0.00	Ph.D., Electronic and Computer Engineering, National Taiwan University of Science and Technology President, Cando Corporation	—	—	—	—
Vice President	R.O.C.	Feng-Liang Chiu	Male	2015.05.06	3	0.00	0	0.00	0	0.00	M.S., Chemical Engineering, National Cheng Kung University President, Forhouse Corp.	—	—	—	—
Chief Finance Officer	R.O.C.	Yen-Chen Liu	Female	2009.11.13	168	0.16	215	0.21	0	0.00	E.M.B.A., National Tsing Hua University Accounting Manager, AU Optronics Corp.	—	—	—	—

3.3 Remuneration to Directors, Supervisors, President, and Vice Presidents

3.3.1 Remuneration to Directors and Independent Directors

Unit: NT$ thousands; %

Title	Name	Remuneration								Total Remuneration (A+B+C+D) and Ratio to Net Income (%)				Remuneration Received By Directors Who are Also Employees								Total Remuneration (A+B+C+D+E+F+G) and Ratio to Net Income (%)				Remuneration from Non-consolidated Affiliates or Parent Company
		Compensation (A)		Severance Pay and Pension (B)		Directors' Remuneration (C)		Business Execution Expenses (D)						Salary, Bonuses, and Special Expenses (E)		Severance Pay and Pension (F)		Employee Remuneration (G)								
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company		Consolidated Entities		
										Total	%	Total	%					Cash	Stock	Cash	Stock	Total	%	Total	%	
Director	Cheng-Yih Lin Tsung-Hsing Kuo Konly Venture Corp. Representative: Wei-Lung Liau Konly Venture Corp. Representative: Shih-Hung Liao Eternal Materials Co. Ltd. Representative: Chin-Cheng Pan Eternal Materials Co. Ltd. Representative: Chi-Kang Chang	8,000	8,000	0	0	6,307	6,307	300	300	14,607	2.15	14,607	2.15	33,240	33,240	108	108	5,000	0	5,000	0	52,955	7.78	52,955	7.78	0
Independent Director	Chia-Ching Tong Wei-Shun Cheng Xin-Wu Lin	4,000	4,000	0	0	0	0	150	150	4,150	0.61	4,150	0.61	0	0	0	0	0	0	0	0	4,150	0.61	4,150	0.61	0

1. To describe the policy, system, standard, and structure of independent directors' remuneration, and the connection between the amount of remuneration and the factors, such as their job responsibilities, risks, and time input.
   The remuneration to the Company's Independent Directors are evaluated based on the scale and operations of the Company, time input by the Independent Directors, their functions, and responsibilities and risks they took.
   The principles for determining remuneration of independent directors are as follows:
   (1) Ensure that Daxin's remuneration complies with relevant laws and may attract and retain quality talent to serve as Independent Directors.
   (2) The total remuneration to Independent Directors is based on a competitive level within the market and it is based on compensations only and does not include any bonuses.
   (3) Directors who serve as members of various functional committees will be reasonably compensated based on their respective roles and responsibilities.
2. Other than disclosures in the table above, remuneration paid to directors for providing services (such as consulting services as a non-employee) to the Company and all consolidated entities in the most recent year: None

Range of Remuneration

Range of Remuneration Paid to Directors	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All Consolidated Entities and Non-consolidated Affiliates	The Company	All Consolidated Entities and Non-consolidated Affiliates
Less than NT$1,000,000	Wei-Lung Liau, Shih-Hung Liao, Chin-Cheng Pan, Chi-Kang Chang	Wei-Lung Liau, Shih-Hung Liao, Chin-Cheng Pan, Chi-Kang Chang	Wei-Lung Liau, Shih-Hung Liao, Chin-Cheng Pan, Chi-Kang Chang	Wei-Lung Liau, Shih-Hung Liao, Chin-Cheng Pan, Chi-Kang Chang
NT$1,000,000 –NT$2,000,000	Chia-Ching Tong, Xin-Wu Lin, Wei-Shun Cheng, Tsung-Hsing Kuo	Chia-Ching Tong, Xin-Wu Lin, Wei-Shun Cheng, Tsung-Hsing Kuo	Chia-Ching Tong, Xin-Wu Lin, Wei-Shun Cheng	Chia-Ching Tong, Xin-Wu Lin, Wei-Shun Cheng
NT$2,000,000 –NT$3,499,999	Cheng-Yih Lin; Konly Venture Corporation; Eternal Materials Co. Ltd.	Cheng-Yih Lin; Konly Venture Corporation; Eternal Materials Co. Ltd.	Konly Venture Corporation; Eternal Materials Co. Ltd.	Konly Venture Corporation; Eternal Materials Co. Ltd.
NT$3,500,000 –NT$4,999,999	—	—	—	—
NT$5,000,000 –NT$9,999,999	—	—	—	—
NT$10,000,000 –NT$14,999,999	—	—	—	—
NT$15,000,000 –NT$29,999,999	—	—	Cheng-Yih Lin, Tsung-Hsing Kuo	Cheng-Yih Lin, Tsung-Hsing Kuo
NT$30,000,000 –NT$49,999,999	—	—	—	—
NT$50,000,000 –NT$99,999,999	—	—	—	—
Over NT$100,000,000	—	—	—	—
Total	11 (including 2 Corporate Directors)	11 (including 2 Corporate Directors)	11 (including 2 Corporate Directors)	11 (including 2 Corporate Directors)

3.3.2 Remuneration to Supervisors: Not applicable.

3.3.3 Remuneration to President and Vice Presidents

Unit: Unit: NT$ thousands; 1,000 shares; %

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2" rowspan="2">Salary (A)</th><th colspan="2" rowspan="2">Severance Pay and Pension (B)</th><th colspan="2" rowspan="2">Bonuses and Special Expenses (C)</th><th colspan="4">Employee Remuneration (D)</th><th colspan="4">Total Remuneration (A+B+C+D) and Ratio to Net Income (%)</th><th rowspan="3">Remuneration from Non-consolidated Affiliates or Parent Company</th></tr>
<tr><th colspan="2">The Company</th><th colspan="2">Consolidated Entities</th><th colspan="2">The Company</th><th colspan="2">Consolidated Entities</th></tr>
<tr><th>The Company</th><th>Consolidated Entities</th><th>The Company</th><th>Consolidated Entities</th><th>The Company</th><th>Consolidated Entities</th><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th><th>Total</th><th>%</th><th>Total</th><th>%</th></tr>
<tr><td>Chief Executive Officer</td><td>Cheng-Yih Lin</td><td rowspan="4">19,598</td><td rowspan="4">19,598</td><td rowspan="4">324</td><td rowspan="4">324</td><td rowspan="4">39,400</td><td rowspan="4">39,400</td><td rowspan="4">8,250</td><td rowspan="4">0</td><td rowspan="4">8,250</td><td rowspan="4">0</td><td rowspan="4">67,572</td><td rowspan="4">9.93</td><td rowspan="4">67,572</td><td rowspan="4">9.93</td><td rowspan="4">None</td></tr>
<tr><td>President</td><td>Tsung-Hsing Kuo</td></tr>
<tr><td>Executive Vice President</td><td>Feng-Yu Chuang</td></tr>
<tr><td>Vice President</td><td>Feng-Liang Chiu</td></tr>
</table>

Range of Remuneration

<table>
<tr><th rowspan="2">Range of Remuneration Paid to the President and Vice President</th><th colspan="2">Name of the President and Vice President</th></tr>
<tr><th>The Company</th><th>All Consolidated Entities and Non-consolidated Affiliates</th></tr>
<tr><td>Less than NT$1,000,000</td><td>—</td><td>—</td></tr>
<tr><td>NT$1,000,000 –NT$2,000,000</td><td>—</td><td>—</td></tr>
<tr><td>NT$2,000,000 –NT$3,499,999</td><td>—</td><td>—</td></tr>
<tr><td>NT$3,500,000 –NT$4,999,999</td><td>—</td><td>—</td></tr>
<tr><td>NT$5,000,000 –NT$9,999,999</td><td>—</td><td>—</td></tr>
<tr><td>NT$10,000,000 –NT$14,999,999</td><td>Feng-Liang Chiu</td><td>Feng-Liang Chiu</td></tr>
<tr><td>NT$15,000,000 –NT$29,999,999</td><td>Cheng-Yih Lin, Tsung-Hsing Kuo, Feng-Yu Chuang</td><td>Cheng-Yih Lin, Tsung-Hsing Kuo, Feng-Yu Chuang</td></tr>
<tr><td>NT$30,000,000 –NT$49,999,999</td><td>—</td><td>—</td></tr>
<tr><td>NT$50,000,000 –NT$99,999,999</td><td>—</td><td>—</td></tr>
<tr><td>Over NT$100,000,000</td><td>—</td><td>—</td></tr>
<tr><td>Total</td><td>4</td><td>4</td></tr>
</table>

3.3.4 Remuneration to Managers

Unit: NT$ thousands

	Title	Name	Stock	Cash	Total	Ratio of Total Amount to Net Income (%)
Manager	CEO	Cheng-Yih Lin	0	9,500	9,500	1.40
	President	Tsung-Hsing Kuo				
	Executive Vice President	Feng-Yu Chuang				
	Vice President	Feng-Liang Chiu				
	Chief Finance Officer	Yen-Chen Liu				

3.3.5 Compare and Analyze the total Remuneration as a percentage of Net Income after Taxes Stated in the Parent Company Only or Individual Financial Reports, Paid to Directors, Supervisors, President, and Vice Presidents by the Company and All Other Companies of the Consolidated Financial Statements In the Past Two Fiscal Years. Describe the Policies, Standards, Packages, Procedure for Determining Remuneration, and the Correlation to Operating Performance and Future Risk Exposure.

(1) The ratio of the total remuneration paid to the Directors, Supervisors, President, and Vice Presidents to the net income after taxes in the past two fiscal years

Item	2020		2021	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Ratio of Total Remuneration Paid to Directors to Net Income (%)	8.48	8.48	8.39	8.39
Ratio of Total Remuneration Paid to Supervisors to Net Income (%)	N/A	N/A	N/A	N/A
Ratio of Total Remuneration Paid to President and Vice Presidents to Net Income (%)	9.98	9.98	9.93	9.93

(2) The policies, standards, and portfolios for the payment of remuneration to Directors, Supervisors, President and Vice President, the procedures for determining remuneration, and the correlation with business performance

- According to Daxin's Articles of Incorporation, if the Company has a profit for the fiscal year, the Company shall first reserve a sufficient amount to offset its accumulated losses, and then distribute the remaining in accordance with the ratio as follows:
  I. No less than 3% as employees' remuneration.
  II. No more than 1% as Directors' remuneration.

  The remuneration of employees and directors shall be resolved by the Board of Directors and reported to the shareholders' meeting.
- The procedures for determining remuneration to the Company's Directors, President and Vice Presidents, are in accordance with the Company Act, the Company's "Articles of Incorporation", the "Remuneration Committee Charter", "Procedures of Remuneration to Managers", and "Procedures of Salary Distributions", and remunerations are formulated based on the roles and responsibilities served by the Directors, President and Vice Presidents, and in reference to industry standards e as well as the Company's operational performance. It is reviewed by the Remuneration Committee and submitted to the Board of Directors for approval to maintain a competitive remuneration policy.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

In 2021, the Board of Directors has convened 5 meetings with the following attendance:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Note
Chairman	Cheng-Yih Lin	5	0	100	
Director	Tsung-Hsing Kuo	5	0	100	
Director	Eternal Materials Co. Ltd. Representative: Chin-Cheng Pan	5	0	100	
Director	Eternal Materials Co. Ltd. Representative: Chi-Kang Chang	5	0	100	
Director	Konly Venture Corporation Representative: Wei-Lung Liau	5	0	100	
Director	Konly Venture Corporation Representative: Shih-Hung Liao	5	0	100	
Independent Director	Chia-Ching Tong	5	0	100	
Independent Director	Wei-Shun Cheng	5	0	100	
Independent Director	Xin-Wu Lin	5	0	100	

Other matters:

I. When one of the following situations occurred to the operations of the Board, state the dates and terms of the meetings, contents of proposals, opinions of all independent directors and the Company's response :

(I) Matters included in Article 14-3 of the Securities and Exchange Act: Daxin has formulated an Audit Committee; please refer to the Operations of the Audit Committee - Other Matters.

(II) Any other resolutions of the Board of Directors with dissent or qualified opinion by independent directors that were recorded or stated in writing statements: None

II. Regarding recusals of Directors due to conflicts of interests, the names of the directors, contents of proposals, reasons for recusal, and participation of voting shall be stated:

Meeting of the Board of Directors on Feb. 25, 2021

Managers' remuneration - Besides Chairman Cheng-Yih Lin and Director Tsung-Hsing Kuo abstained themselves from the discussion and voting in line with relevant laws because they are involved in this proposal, the proposal was approved without dissent or rectification by all other attending Directors. (Managers related to this proposal had recused themselves)

Meeting of the Board of Directors on Nov. 3, 2021

The 2021 managers' remuneration - Besides Chairman Cheng-Yih Lin and Director Tsung-Hsing Kuo abstained themselves from the discussion and voting in line with relevant laws because they are involved in this proposal, the proposal was approved without dissent or rectification by all other attending Directors.

(Managers related to this proposal had recused themselves)

III. The self (peer) evaluation of the Board of Directors, including evaluation cycle, period, scope, method, contents and implementation:

Evaluation cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation contents
Annually	January 1 2021 to December 31, 2021	Board of Directors, the individual directors, and functional committees (including Audit Committee and Remuneration Committee)	Internal self-evaluation	• The Board of Directors are assessed on the following five aspects: Degree of understanding in the Company’s operations, enhancement of the decision-making quality of the Board of Directors, the composition and structure of the Board of Directors, election and continuing education of the Directors, and internal control • The individual directors are assessed on the following six aspects: Understanding of the Company’s goals and missions, awareness of the directors’ duties, degree of understanding in the Company’s operations, internal relationship and communication, professionalism and continuing education of the Directors , and internal control • The functional committees are assessed on the following five aspects: Degree of understanding in the Company's operations, awareness of the functional committees’ duties, enhancement of the decision-making quality of the functional committees, composition of the functional committees and election of their members, and internal control

IV. Goals for strengthening the function of the Board (including establishing the Audit Committee and enhancing information transparency) and results thereof:

(I) Establishing functional committees: The Company has established the Audit Committee and the Remuneration Committee in 2011 upon resolution from the Board of Directors. The Audit Committee is responsible for exercising duties and obligations specified by the Securities and Exchange Act, the Company Act, and other applicable laws and regulations. The Remuneration Committee is responsible for evaluating the remuneration policy and system for Directors and managerial officers in a professional and objective manner, and for submitting its suggestions to the Board of Directors as a reference in the decision-making process. These two functional committees established under the Board of Directors are designed to strengthen the functions of the Board.

(II) Enhancing information transparency: The Company has formulated the “Procedures of Material Information” to regulate the handling and disclosure mechanism of the Company’s material information so as to ensure the consistency and accuracy of external information announcement. At the same time, a spokesperson system has been established to ensure that material information is disclosed in a timely and proper manner.

Investor conference is organized annually to describe the Company’s operational highlights to the investors and the public. All material information is also announced and reported on the Market Observation Post System (MOPS) in line with the laws. Daxin’s website has also established a Stakeholder section and email to provide stakeholders with an unimpeded channel of communication with the Company.

(III) Promoting corporate sustainable development: While pursuing for operational development, Daxin is also focused on communications and feedback with stakeholders and environmental protection and various social issues. We has formulated an ESG project team in 2021 in which senior managers are in charge of promoting the relevant tasks from each functional group as well as to report the operations of the sustainability project to the Board of Directors.

3.4.2 Audit Committee

In 2021, the Audit Committee has convened 4 meetings with the following attendance record:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Note
Independent Director (Convener)	Xin-Wu Lin	4	0	100	
Independent Director	Chia-Ching Tong	4	0	100	
Independent Director	Wei-Shun Cheng	4	0	100	

Other matters:

I. If any of the following circumstances occurs in the Audit Committee, the dates, terms of the meetings, contents of proposals, dissenting or reserved opinion or material recommendation from the Independent Director, Audit Committee's resolutions, and the Company's response to the Audit Committee's opinions shall be stated:

- Matters included in Article 14-5 of the Securities and Exchange Act：All proposals submitted to the Board of Directors were approved by all members of the Audit Committee. There were no resolutions which had not been approved by the Audit Committee but was approved by two-thirds or more of all Directors.

Date and term	Contents of Proposals	Dissenting or reserved opinion or material recommendation from the Independent Director	Resolution Results	Handling of Opinions
Feb. 25, 2021 Fourth term 3rd meeting	◆ 2020 Statement on Internal Control System ◆ Independence and suitability of the Company's CPAs ◆ 2020 Business Report and Financial Statements ◆ the proposal for the distribution of 2020 earnings	None	Approved by all attending members of Audit Committee as proposed	Approved by all attending directors of the Board as proposed
Apr. 28, 2021 Fourth term 4th meeting	◆ Appointment of CPA ◆ 2021 Q1 (first quarter) Financial Statements			
Aug. 4, 2021 Fourth term 5th meeting	◆ 2021 Q2 (second quarter) Financial Statements			
Nov. 3, 2021 Fourth term 6th meeting	◆ Formulation of 2022 Audit Plan ◆ Service fee of CPAs in 2022 ◆ 2021 Q3 (third quarter) Financial Statements			

- Other matters that were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None

II. Regarding recusals of independent directors due to conflicts of interests, the names of the independent directors, contents of proposals, reasons for recusal, and participation of voting shall be stated: None

III. Communications between the independent directors, the Company's chief internal auditor, and CPAs (shall include material matters, methods and results of communication on the finances and state of business of the Company, etc.).

(I) Monthly audit reports and follow-up reports by the chief internal audit are delivered to the Audit Committee for review by the end of the following month. The chief internal audit attends the Audit Committee and the Board of Director to present audit reports, follow-up reports, annual audit plans, and the result of self-assessments of internal control every quarter, and communicates the annual audit plan with independent directors individually every year.

(II) The independent directors and CPAs have regular meetings at least four times a year. The CPAs present audit results of financial reports to independent directors to explain the important transactions and the audit results of internal control. CPAs communicate the Key Audit Matters, the annual audit plan, the method of audit tests and the audit procedures with independent directors individually every year. In case of material events, the aforementioned meetings may be convened at any time.

(III) A summary of all communications between the independent directors, the chief internal auditor, and the CPAs, have been disclosed on the Company's website.

IV. Annual Key Tasks and Implementation Status:

(I) Annual Key Task:

1. Communicate the results of the audit report with the chief internal auditor based on the annual audit plan.
2. Evaluation of the effectiveness of the internal control system
3. Review financial statements
4. Appointment of the Company's CPAs and their remuneration
5. Evaluate the independence and suitability of the Company's CPAs
6. Review major asset or derivative transactions
7. Legal compliance

(II) Implementation Status: All proposals from the Audit Committee meetings have been approved by the Audit Committee, and no Independent Director has expressed any dissenting opinion.

3.4.3 Operation Status of the Remuneration Committee:

1. Professional Qualifications and Independence Analysis of Remuneration Committee Members

December 31, 2021

Title	Name	Number of Other Public Companies Where the Individual Concurrently Serves as a Remuneration Committee Member
Independent Director (Convener)	Chia-Ching Tong	1
Independent Director	Wei-Shun Cheng	3
Independent Director	Xin-Wu Lin	2

Please refer to Pages 14 in the Annual Report for professional qualification, experience, and status of independence.

2. Roles and Responsibilities of the Remuneration Committee

The Remuneration Committee shall perform the following duties and present its recommendations to the Board of Directors for discussion.

(1) Establish and regularly review the performance evaluation of the directors and managers, and the remuneration policy, system, standard, and structure for the directors and managers.

(2) Evaluate the performance of the directors and managers in view of goals and objectives, and based on this evaluation, recommending to the Board of Directors appropriate remuneration

levels for the directors and managers.

The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

(1) Ensuring that the remuneration arrangements of the Company comply with applicable laws and regulations and are sufficient to recruit outstanding talent.

(2) Performance assessments and remuneration levels of Directors and managerial officers shall take into account the industry standard, individual performance, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the remuneration paid to employees holding equivalent positions in recent years. Also to be evaluated are the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of the Company.

(3) There shall be no incentive for the directors or managers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Company.

(4) For directors and managers, the percentage of remuneration to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the industry and the nature of the Company's business.

(5) The committee are excused from the Committee’s discussion and decision of their own remuneration.

3. Operation Status of the Remuneration Committee

(1) The Company's Remuneration Committee is composed of three members.

(2) The current term of office: August 5, 2020 to June 18, 2023; the Remuneration Committee has convened 2 meetings in the most recent fiscal year with the following attendance:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Note
Convener	Chia-Ching Tong	2	0	100	
Committee Member	Wei-Shun Cheng	2	0	100	
Committee Member	Xin-Wu Lin	2	0	100	

Other matters:

I. If the Board of Directors refuses to adopt or amend a recommendation from the Remuneration Committee, the dates, terms of the meetings, contents of the proposals, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g., the circumstances and cause for the difference if the remuneration approved by the Board of Directors exceeds the recommended amount by the Remuneration Committee) shall be stated:

All proposals at Remuneration Committee meetings have been submitted to the Board of Directors for approval after approval from members of the Remuneration Committee. There was no condition where a member has expressed dissent or reserved opinion with a record or written statement present.

II. If there were resolutions by the Remuneration Committee to which members have dissenting or qualified opinions, and for which there is a record or declaration in writing, the dates, terms of the meeting, contents of the proposals, all members' opinions, and the response to members' opinions shall be stated: None

Meeting Date	Contents of Proposals	Resolution Results	Handling of Opinions
Feb. 25, 2021 Fourth term 2th meeting	◆ the distribution of employees' and directors' remuneration of 2020 ◆ the distribution ratio of employees' and directors' remuneration of 2021 ◆ Remuneration for managerial officers	Approved by all attending members of Remuneration Committee as proposed	Approved by all attending directors of the Board as proposed
Nov. 3, 2021 Fourth term 3rd meeting	◆ 2021 remuneration for managerial officers		

3.4.4 Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission:

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
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		Daxin has established “Corporate Governance Principles”, which aims at protecting the shareholders’ rights, enhancing the functions of the Board of Directors, realizing the functions of the functional committees, respecting the rights and interests of stakeholder, and enhancing information transparency. Please refer to Daxin’s website or the Market Observation Post System (MOPS) for relevant standards and regulations.	None.
2. Shareholding structure & shareholders' rights (1) Does the Company establish internal operating procedures to deal with shareholders’ suggestions, doubts, disputes, and litigations, and implement based on the procedures?	V		Daxin has established “Procedures of Material Information”, setting up a spokesperson and acting spokesperson system. In addition, a dedicated email for investors has been set up on the Stakeholder section of Daxin’s website, and the finance division is the dedicated unit for handling suggestions, doubts, or disputes from the shareholders.	None.
(2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		Daxin tracks changes in shareholding of the directors, managerial officers, and major shareholders holding 10% or more of the Company’s shares, and reported monthly to the MOPS in accordance with laws and regulations.	None.
(3) Does the Company establish and execute a risk management and firewall system within its affiliates?	V		To formulate a firewall and risk control mechanism, Daxin has established “Rules Governing Financial and Business Matters between the Company and its Affiliated Enterprises” and “Management Process for the Subsidiary”.	None.
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		Daxin has established “Procedures of Material Information” to specify that Directors, managerial officers, and employees who are in possession of the Company’s material information shall not disclose such information to others, and they are also prohibited from inquiring or collecting undisclosed material information unrelated to their positions and obligations. The Procedures also prohibit them from disclosing material information that they did not come into possession while performing their duties. Employees are arranged to receive relevant training irregularly, advocacy on prevention of insider trading is conducted to internal personnel, and relevant reference information is also provided.	None.
3. Composition and responsibilities of the Board of Directors (1) Does the Board of Directors establish a diversification policy for the composition and specific management goals of its members and implement accordingly?	V		Daxin’s “Corporate Governance Principles” clearly stipulates that the composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as the Company’s managers not exceed 1/3 of the total number of the board members; moreover, an appropriate policy on diversity shall be formulated based on the Company's	None.

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			business operations, operating dynamics, and developmental needs. Please refer to Page 15 of this Report for relevant diversification policy, specific management goals and implementations.	
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	Daxin has set up the Remuneration Committee and the Audit Committee. Other functional committees have not been set up yet.	Such committees will be set up timely based on the needs of Daxin's corporate governance.
(3) Dose the Company establish methodology for evaluating the performance of the Board and implement annually, and report the results of evaluations to the Board, and use them as a reference for directors' remuneration and renewal?	V		Daxin has established the "Rules for Board of Directors Performance Assessments" and conducts performance evaluation on the Board of Directors, the individual directors, the Audit Committee, and the Remuneration Committee annually. The evaluation results are scored as either "Outstanding, Good, Satisfactory, Somewhat Satisfactory, and Needs Improvement", and the results will be used as the basis for nomination and renewal. The results of performance evaluation in 2021 were "Outstanding" of all of the Board of Directors, the individual directors, the Audit Committee and the Remuneration Committee. The Company submitted the evaluation results to the Board of Directors on Feb. 23, 2022, and disclose to the MOPS. Please refer to Page 22 for the scope, method, and contents of evaluation.	None.
(4) Does the Company regularly evaluate the independence of CPAs?	V		The Company regularly evaluates the independence and qualifications of CPAs every year, and submit the evaluation results to the Audit Committee and the Board of Directors for discussion and approval. Besides requesting CPAs to issue a Statement of Independence in each year, CPAs also declare to the Audit Committee that they have no other financial interest or business relations with the Company besides auditing and taxation cases, and that they comply with relevant norms of professional ethics related to independence. Results of the Company's evaluation have indicated that CPA Shien-Hui Lu and CPA Mei-Yu Tseng from KPMG Taiwan both meet the evaluation standards for independence and qualifications (please refer to Page 51 for the evaluation table).	None.

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?		V	The finance division is in charge of executing affairs related to corporate governance, including handling of matters relating to Board and Shareholders' Meetings, executing Company registration and revisions, and preparing the minutes to Board and Shareholders' Meetings. Moreover they also review and improve upon the various indicators of corporate governance evaluation annually to ensure that affairs related to corporate governance are being executed in practice. We will also evaluate whether to establish a Corporate Governance Officer based on future company development.	None.
5. Does the Company establish communication channels and build a dedicated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	V		Daxin values the opinions and suggestions of all stakeholders, besides actively interacting with stakeholders to understand their expectations for Daxin, we have also set up a Stakeholder section on our website. Moreover, to properly address the important corporate social responsibility issues and concerns from the stakeholders, a spokesperson and deputy spokesperson system have been set up, and various dedicated departments are also in charge of the dedicated mailboxes set up for different stakeholders.	None.
6. Dose the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		Daxin has appointed Stock Affairs Department, Taishin Securities Co. Ltd., to handle various stock affairs.	None.
7. Information disclosure (1) Does the Company establish a website to disclose information on the Company's financial, business and corporate governance status?	V		Daxin has established a website and set up an "Investors" section, which is regularly updated relevant information on the Company's finance and business, investor conference, product, and corporate governance for investors' reference.	None.
(2) Does the Company have other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, and webcasting investor conferences etc.)?	V		Daxin has set up a corporate website that is both available in Chinese and English, and appointed dedicated personnel to handle information collection and disclosure. The information is also updated to latest for the public irregularly. A spokesperson system has been set up, in which President Tsung-Hsing Kuo is the spokesperson, and the CFO Yen-Chen Liu is the acting spokesperson. In addition, to ensure the timely and proper disclosure of material information, the presentation materials of investor conference are all uploaded to the Investors section of our website, as well as disclosed to the MOPS in line with regulations from the Taiwan Stock Exchange (TWSE).	None.

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(3) Does the Company announce and report annual financial report within two months after the end of the fiscal year, and announce and report the financial report of the first, second, and third quarter, as well as monthly operating conditions, before the prescribed deadline?	V		The Company's 2021 Consolidated and Parent Company-only Financial report was announced and filed at the MOPS on February 23, 2022, and all quarterly financial reports and monthly operating status were also announced and filed before the prescribed deadline. The aforementioned information was uploaded to the Company's website as well.	None.
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by directors and supervisors)?	V		(1) Employees are Daxin's most important asset. Daxin strives to provide a safe work environment, innovative and challenging tasks and missions, and competitive compensation to employees. The Company has formed an Employee Welfare Committee that organizes various benefits. Please refer to Chapter 5 of this Annual Report for employees' rights and interests, as well as executions of labor relations. (2) Daxin has maintained a healthy and functional communication with all the banks, employees, clients, suppliers, and other parties. (3) The "Supplier Management Procedures" have been formulated to regulate the transactions with suppliers; in addition, we maintain positive and long-term partnership with all suppliers and we are committed to quality enhancement to strengthen our competitiveness. To ensure that we can achieve the expected reliability and optimized product quality, we maintain close contact with all customers to provide quality and stable products that meet customers' needs. (4) Daxin facilitates Directors to participate in continuing studies of relevant professional knowledge; on average, all Directors complete at least 6 hours of continuing studies courses each year. (5) Daxin has established an internal control system, internal audit system, as well as various internal management standards and rules, which serve as the basis of Daxin's risk control as well as the standard for measuring risks while engaging in business activities. (6) Daxin has filed liability insurance for Directors and officers and regularly evaluates the amount insured each year so that the Directors and officers may prudently execute their duties from the standpoint of the investors' rights and interests. The relevant insurance information is also reported to the Board of Directors after the insurance contract has been renewed.	None.
9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange： Daxin reviews and proposes improvement measures based on the result of Corporate Governance Evaluation announced by the TWSE each year. In 2021, we has formed an inter-departmental Sustainability project team to be in charge of promoting and implementing corporate sustainable development. Daxin expects to prepare the 2022 Sustainability Report in year 2023. To practice the philosophy of corporate governance, we will also discuss and improve the other items requiring improvement one by one.				

3.4.5 Sustainable Development Implementation as Required by the Taiwan Financial Supervisory Commission:

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does the Company establish exclusively (or concurrently) dedicated units to implement sustainable development, and does the Board of Directors appoint the senior manager to take charge of sustainable development, and to report the status of the supervision to the Board of Directors?	V		In 2021, Daxin has formed an inter-departmental sustainability project team including corporate governance, global strategic planning, R&D and innovation, environmental sustainability, employee and social welfare and more. Senior managers supervise the promotions and implementations of each group, as well as to report the operations of the sustainability project team to the Board of Directors.	None.
2. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish relevant risk management policies or strategies?	V		Daxin conducts risk assessment on relevant issues based on the principle of materiality: Environmental: We continue to evaluate and discuss response measures on environmental risks and impacts by using ISO 14001 as a management principle, and draft management measures and goals each year based on the “Management Procedures for Identifying Environmental Aspects and Risk Assessment”. Subsequently, relevant issues are regularly monitored and reviewed to ensure the feasibility of environmental management objectives. Social: (1) Product safety: “Procedures on Green Product and Hazardous Substance Management” has been formulated based on international standards (ISO9001: 2015) and applicable laws and requirements. Product design, manufacturing, and sales are all managed in line with the aforesaid Procedures. At the same time, we strictly require suppliers to meet relevant principles (e.g., RoHS 2.0 and REACH and more), and audit our suppliers and OEM contractors based on the EICC (Electronic Industry Code of Conduct) requirements to ensure that suppliers and contractors have met relevant standards. (2) Occupational safety: We ensure that employees are operating in a safe and friendly work environment by obtaining the ISO 14001 Environmental Safety Management system and the ISO 45001 Occupational Health and Safety system certificates. Governance: To protect the shareholders’ rights and interests, strengthen the functions of the Board of Directors, respect the rights of stakeholders, and enhance information transparency, we have formulated the “Corporate Governance Principles”. Besides complying with laws and the Company’s Articles of Incorporation, we also implement the internal control system and enforce executions and timely review to make sure the continued validity of the design and implementation of the internal control system. Moreover, we continuously monitor various risks and adopt timely and effective response measure.	None.

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
3. Environmental issues				
(1) Dose the Company establish environmental management systems based on its industry's characteristics?	V		We have deployed and obtained the ISO 14001 Environmental Safety Management system and the ISO 45001 Occupational Health and Safety Management Systems certificates; through regular internal and external audit verification in each year, the effectiveness of the safety, health and environment management system's operations can be ensured, thereby enhancing our internal safety, health and environment performance. Additionally, a dedicated safety, health and environment management unit has also been established to plan and supervise Daxin's internal safety, health and environment functions and to convene quarterly safety, health and environment review meetings, in which goals are established.	None.
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials that have low impacts on the environment?	V		Daxin strives to maximize the recycling efficiency of various energy and resources to realize our corporate social responsibility. To this means, the rainwater recycling system and water-saving equipment have been installed to reduce water wastage. We also monitor waste generation and engage in resource cycling by commissioning qualified vendors to recycle resources.	None.
(3) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	V		Daxin implements the ISO 14001 Environmental Management System to evaluate our risks and opportunities which related to the environment, including climate issues, and adopts environmental responses measures accordingly. The impact from potential risks are mostly increased operating costs and losses from extreme weather conditions, such as: Resource shortage and unstable transportation needs could lead to increased operating costs and losses, and we will continue to increase productivity and develop green products, as well as strengthen the deployment of circular economy model to respond to these concerns and to mitigate possible effects. In terms of opportunities, compared with the annual GHG emissions disclosed on the open data of "Other optoelectronic materials and components manufacturing" from government, our annual carbon emissions related to operations are lower than others industry competitors. Therefore, the level of increased operating costs from carbon emissions will be smaller than others industry competitors in terms of restricted GHG emissions or carbon emission trading, which will be beneficial to our operations.	None.

<table>
<tr><th rowspan="2">Assessed Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td>(4) Does the Company take inventory of its greenhouse gas emissions, water consumption, and the total weight of waste in the last two years, and formulate policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?</td><td></td><td></td><td>Based on our emphasis for environmental friendliness, the “Management Procedures for Identifying Environmental Aspects and Risk Assessment” has been formulated and serves as a basis for comprehensive review over environmental factors that may impact the environment, and facilitates us to continuously promote environmental management system through policy, target, and objectives.
<u>Greenhouse Gases (GHG):</u>
We began to take inventories of our GHG emissions from operating activities in as early as 2009, and we apply for third-party certification bodies for our inventory procedures and results when necessary. In addition, we closely monitor the results of GHG emissions on the climate and environment.
Annual Plant GHG Emissions:
<table>
<tr><th rowspan="2">Plant</th><th colspan="2">GHG Emissions (Ton CO2e)</th><th colspan="2">Average emissions per square meter (Ton CO2e/m2)</th></tr>
<tr><th>2020</th><th>2021</th><th>2020</th><th>2021</th></tr>
<tr><td>Chungke Plant</td><td>3,004.66</td><td>3,145.35</td><td>0.16</td><td>0.17</td></tr>
<tr><td>Chungkang Plant</td><td>4,204.21</td><td>4,420.30</td><td>0.26</td><td>0.27</td></tr>
</table>
The unit emissions from the two plants have risen slightly; this increase is mostly attributable to the increased power consumption which caused by the increased production capacity, and we will continue to adjust and optimize the manufacturing process to conserve energy.
Additionally, compared with the average annual GHG emissions of approximately 98,513 ton Co2e (Note) declared on the domestic “Other optoelectronic materials and components manufacturing” from 2017 to 2020, Daxin’s emissions across each plant is approximately only 4.5% of the annual industry emissions level. Going forward, we will continue to work toward GHG reductions. (Note：Source: Government Open Data Platform/Annual Greenhouse Gas Emissions 111/2/7)
In terms of energy-saving projects, Daxin cooperates with the government’s green power promotions and has introduced solar power system of 429.18kW device capacity to our Chungkang Plant in 2020. This will help us to conserve approximately 523,000 kWh of power in each year (Note: Based on daily sun exposure in Taichung (3.34 kWh/day/Kw) calculated by the Bureau of Energy). We also demonstrate our commitment to energy conservation and carbon reductions through energy management and introducing various measures such as the magnetic Bearing chiller, inclined air-curtain (IAC) fume hood, LED lighting, inverter motors, and deploying capacitor to improve energy efficiency and more, as well as by encouraging our staff to turn off unused lights and to reduce elevator use. Through implementing various energy saving and carbon reduction measures, by using our emissions in 2017 as a baseline, we expect to reach our goal of 10% carbon reduction per square meter across each plant by 2030.</td><td>None.</td></tr>
</table>

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	

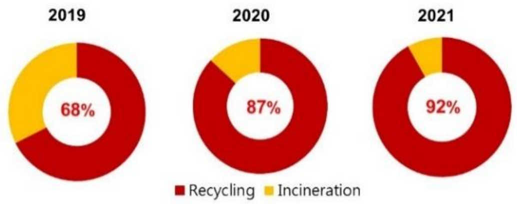
<u>Water Consumption</u>:

Year	total water consumption (mt)	Water consumption per unit area (mt/m2)
2020	118,489	3.40
2021	102,496	2.94

The water consumption per unit area decreased by 13% compared with 2020. We will continue to recycle and reuse water sources; currently, the water recycling ratio is approximately 28% at our plants. Additionally, Daxin deployed the Reverse Osmosis Wastewater Recycling System (RORR) in 2021, which on average helps us to further reduce 33 tons of water consumption on a daily basis. We also continue to manage water consumption volume and have set a management goal of no longer using water-intensive processes.

<u>Waste</u>:

Daxin has joined the government's call for environmental sustainability and continue to work toward reducing industrial waste and recycling. Our performance continues to improve in each year, the recycling rate of waste solvent in 2021 has reached 92% (total waste was 351 tons, of which approximately 322 tons were recycled).



Year	2019	2020	2021
Total waste solvent disposal	243 tons	291 tons	351 tons
Incineration	79 tons	38 tons	29 tons
Recycling	**164 tons**	**253 tons**	**322 tons**

<table>
<tr><th rowspan="2">Assessed Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td></td><td></td><td></td><td>Statistics on Total Waste:
1. Hazardous industrial waste: Waste containers, waste solvent, waste acid and alkali mix, solid waste.
2. Non-hazardous industrial waste: Waste solvent, solid waste, trash from industrial activities (including generic trash from employees), waste plastics, scrapped oil mixtures, waste water.
<table><tr><th>Year</th><th>Hazardous industrial waste (tons)</th><th>Non-hazardous industrial waste (tons)</th><th>Waste generation per square meter (ton/m2)</th></tr><tr><td>2020</td><td>554.20</td><td>148.31</td><td>0.043</td></tr><tr><td>2021</td><td>572.92</td><td>194.79</td><td>0.050</td></tr></table>Our total waste generation in 2021 was approximately 767.71 tons while the unit area generation was 0.050 tons/m2. This represented a 0.043 tons/m2 increase from the previous year, which is mostly attributable to increased production capacity. Going forward, we will continue to promote low-waste manufacturing process and recycling.
Moreover, to increase recycling of waste solvent, we will complete the construction of a solvent recycling equipment in 2022, which will increase the recycling of solvent. The amount of solvent that will be recycled in each month is expected to reach at least 6 tons to 8 tons, while the annual waste reduction may increase by 72tons to 96 tons, which will further strengthen our efforts toward waste reduction and recycling. Daxin will continue to promote waste reduction and recycling policy to contribute toward environmental protection.</td><td></td></tr>
<tr><td>4. Social Issues
(1) Dose the Company establish appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</td><td>V</td><td></td><td>Daxin is committed to the protection and advancement of human rights throughout the Company and its supply chain. We support the UN Universal Declaration of Human Rights (UDHR) and seek to treat all workers with dignity and respect as understood by international human rights standards, including those rights expressed in the United Nations International Bill of Human Rights, The International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, and the Ten Principles of The United Nations Global Compact (UNGC). We also align our actions with the Responsible Business Alliance (RBA) Code of Conduct and the Labor Standards Act (LSA), and commit to conducting our business ethically and responsibly that supports and respects the protection of human rights of all workers, including regular, contract and temporary employees, and interns, and have also disclosed this policy on our corporate website.
The guiding principles for Daxin's Human Rights Policy are as follows:</td><td>None.</td></tr>
</table>

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			1. Free of violence, discrimination, and harassment to ensure quality in the workplace • Strictly comply with government labor laws to implement internal rules and regulations. • Establish clear and fair regulations about promotion, rewards and training policy • From the beginning of recruitment, all hiring procedures are to comply with the law and eliminate discrimination 2. Provide a safe and healthy work environment • Build a supportive environment to promote the physical and mental health of employees • Daxin has an occupational health nurse and on-site health services with doctors are available monthly to provide a personalized healthcare management program for employees engaged in high-risk operations • Implement Sexual Harassment Prevention Policies and establish employee report channels • Strengthen workplace safety management for contractors 3. Forbid forced labor • In strict compliance with government labor laws, Daxin will not force nor threaten any non-willing personnel to carry out work-related tasks 4. Foster a culture of open communication • Establish several internal communication channels to ensure open and transparent communications between managers and employees • Build mentoring program for new hires, including holding the first one-month and three-month check-ins to help them feel more engaged in the organization 5. Zero tolerance for child labor • Daxin only accepts applicants over 18 years old and will double-check the age to avoid any mistakes and omissions In 2021, we also provided human rights protection training to our employees and contractors; a cumulative total of 453 persons were trained with cumulative training hours of 564 hours. We will continue to focus on issues related to human rights protection and promote relevant training to reduce the occurrence of relevant risks. We accept comprehensive reviews from stakeholders (customers) based on the auditing standard of the Responsible Business Alliance (RBA). Five of these reviews were conducted, and no violation of forced labor or relevant grievances or child labor occurred in 2021.	
(2) Does the Company formulate and implement reasonable employee welfare measures (including remuneration, leave, and other benefits) and appropriately reflect on operating performance or results on employee	V		Employee Compensation Daxin employees are entitled to competitive compensation and benefits program including base salary and performance-based bonus. Moreover, to attract, retain, develop, motivate and reward talented and performing employees, the Company's operating profit is distributed to employees in accordance with employee performance. Employee compensation is implemented in line with Article 15 of our	None.

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
compensation?			Articles of Incorporation, if the Company has gained profits within a fiscal year (i.e., pre-tax profit before deducting employees' compensations and Directors' remuneration), no less than 3% shall be appropriated as employee compensations to reflect our operating performance or results on the employees' compensations. Compensation policy: To maintain the competitiveness of compensation, the Company appropriately raises employees' salaries annually, based on market salary scale, economic trends, and job performance. In 2021, the average annual salary adjustment (including structural salary adjustment) for both managerial officers and non-managerial positions was 6.5%. Leave System To provide sufficient support in their work and personal lives, the Company offers employees additional leaves that are better than the Taiwan Labor Standards Act, such as birthday leave, floating leave, and engagement leave. Employees who need to take long leaves of absence for childcare or severe injuries can also apply for unpaid leaves. Employee Welfare Daxin has formed an Employee Welfare Committee, and each year, the Company appropriates over NT$4 million in employee welfare funds and provides various benefits to employees: 1. Employee subsidies: subsidies for marriage, childbirth (NT$60,000 for a newborn baby), hospitalization, funeral, education, birthday, and discounts in designated shops. 2. Employee engagement: We organize various activities, such as holiday celebrations, monthly afternoon tea parties, quarterly birthday celebrations, company trip, Family Days, and corporate volunteering activities. Workplace Diversity and Equality All employees have equal opportunity. Discrimination is prohibited in employee recruitment, promotion, performance evaluation, training, and reward systems. In 2021, the ratio of female employees accounted for 26% of all employees, while the ratio of female officers is 22.5%. We strive to foster a diverse and inclusive workplace. For example, the Company hires disabled workers in line with the government's policies and regulations; moreover, under the principles of maternity protection, we have adopted measures to protect pregnant employees, such as workplace hazard evaluation, health assessment, and suitable work allocation.	
(3) Does the Company provide a safe and healthy and safe work environment, and regularly implement safety and health education for employees?	V		We have obtained ISO 14001 (environmental management system) and the ISO 45001 (occupational health and safety management system) certifications, and regularly implement external audits and continuous improvements and reviews. In terms of our work environment, an external professional agency is commissioned to undertake work environment monitoring every six months to ensure the	None.

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			safety of employees as well as to engage in preventive management of occupational health exposures. The Company is committed to providing employees with a safe and healthy work environment and implementing safety and health measures. Daxin encourages employees to exercise regularly by holding health seminars and sports events. <u>Training</u> New employees are required to undergo 6 hours of "occupational safety" course which introduces Daxin's environmental and safety precautions and relevant regulations; general employees are required to participate in "work safety" course each year, while professional staff is required to participate in "chemical substance hazard and emergency relief" course and to regularly receive re-training. In addition, managers participate in "risk management course". In 2021, a total of 415 persons were trained, with cumulative training hours reaching 1,485 hours. <u>"iSports" Exercise Enterprise Certification</u> Daxin has been recognized as "iSports" certified company by the Sports Administration, Ministry of Education since 2018. In 2021, Daxin won third place in the "Cumulative Corporate Score" section of the iSports competition. A health discussion board has been set up internally to address health-related issues. In addition, the Company holds health seminars and sports events collaborating with sports clubs to promote the mental and physical well-being of employees.	
(4) Does the Company provide its employees with career development and training sessions?		V	We offer a comprehensive career development training program for all employees, including new employee training, professional training, and management training. With diverse training and development opportunities, employees can enhance their capabilities and improve personal performance. In 2021, a total of 1,489 persons have completed the career training, and cumulative training hours reached 1,689 hours. Performance reviews are conducted regularly for both managers and employees to assess individual growth, set goals for future performance, and facilitate employees to reach their potential.	None.
(5) Does the Company comply with relevant regulations and international standards regarding customer health and safety, right to privacy, marketing and labeling of its products and services and set up relevant consumer protection policies and complaint procedures?	V		Daxin's points of contact from Sales and Product Realization departments both directly respond to customers, and all product problems voiced by customers will be immediately addressed and handled. To efficiently and effectively handle various customer complaints, the Procedure on Handling Complaints has been formulated to specify the responsibilities and handling procedures from relevant departments.	None.

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(6) Does the Company formulate supplier management policies that require suppliers to follow relevant regulations on issues, such as environmental protection, occupational safety and health, or labor rights? If so, describe the results.	V		In terms of supplier and contractor management, Daxin has formulated the Supplier Management Procedures, which specifies relevant management standards regarding the selection, audit, and evaluation of suppliers and contractors. Supplier audit and evaluation is conducted in each year, and the scope of which includes production processes, manufacturing environment, transportation management, and hazardous substance management etc. We also specify that suppliers shall meet the Green Product (GP) certification, quality system (ISO 9001), Environmental Management System (ISO 14001), and Occupational Health and Safety System (ISO 45001) certifications. At the end of each year, a joint audit team will jointly select a list of key raw materials and arrange for onsite audit in the following year. At the same time, a written audit will be conducted on the top 20 suppliers in terms of procurement amount in the previous year, and the result of the audit will be included in the supplier evaluation. • Key Criteria in Suppler Evaluation: Implementation status of relevant certification (quality, occupational health and safety, and Green Product etc.), implementation status of the quality system, implementation status of the occupational health and safety system, and implementation of CSR. • Methodology of Suppler Evaluation: Evaluation will be conducted based on the result of supplier audit in each year, and evaluation results will be ranked either A, B, or C. A: Those who score 90 points or above will be determined as an Outstanding Supplier; procurement may continue and the volume of procurement will be increased accordingly. B: Those who score between 70 to 89 points will be determined as a Satisfactory Supplier; procurement may continue and Daxin will request for improvement. C: Those who score below 70 points will be disqualified, and either strategic coaching will be required or Daxin will no longer procure from this supplier. • Supplier coaching: If procurement from a supplier that receives a C rank in the evaluation has to continue, a coaching plan shall be formulated. In case no improvement is made in the following year, its supplier qualification will be forfeited. In terms of the coaching plan, the supplier will be required to formulate improvement plan and timeline on the deficiencies found in the audit report, and the deficiencies shall be improved one by one. • Evaluation result of the top 20 suppliers in 2021: 100% of the suppliers have received A rank.	None.

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
5. Does the Company refer to the guidelines for the preparation of internationally accepted reports in preparing its Sustainability Reports and other reports that disclose the Company's nonfinancial information? Did the aforesaid report obtain the assurance or accreditation of an impartial third party?		V	Daxin has established an ESG policy as a part of our corporate policy. It is also implemented in our corporate governance, product development, employee care, and social relations. The relevant policy and implementations are disclosed on our website. Though currently we have not been required to prepare a sustainability report by “Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies”, we have voluntarily included sustainable development in our corporate developmental goals, and we expect to prepare the 2022 sustainability report in 2023.	We expect to prepare the 2022 Sustainability Report in 2023

6. If the Company has established its own sustainability principles based on the “Sustainability Development Best Practice Principles for TWSE/TPEx Listed Companies”, please describe the implementation and any discrepancies from the Principles: Not applicable.

7. Other important information to facilitate better understanding of the Company’s sustainable development practices:
Though currently Daxin has not been required to prepare a sustainability report by “Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies”, we have voluntarily included sustainable development in our corporate developmental goals. We have formed an inter-departmental sustainability project team including corporate governance, global strategic planning, R&D and innovation, environmental sustainability, employee and social welfare, and more. Senior managers supervise the promotions and implementations of each group. We expect to prepare the 2022 sustainability report in 2023.We have also integrated sustainable development into our corporate strategies and daily operations, developing an environmentally and socially responsible business model, and gaining the trust of stakeholders to fulfill shared values. The social aspect of our sustainable development focuses on three initiatives: “Support Scientific Education”, “Corporate Volunteering” and “Social Contribution”:

- Support Scientific Education
  1. Daxin Graduate Scholarship Program: To support scientific education and encourage the young scientists in Taiwan to study for Ph.D. or Master’s degrees related to chemistry, chemical engineering, material sciences, or other science-related fields, Daxin established the “Daxin Graduate Scholarship” in 2010. Since 2010, the program has awarded a total of NT$14.64 million to 63 students. In addition to funds, the program provides the recipients eligibility for summer research internship and mentorship at Daxin to encourage them devoting into scientific research.
  2. Daxin gives back to the alma maters of our employees; in 2021, we sponsored a NT$50,000 scholarship to “Dean’s Award for College of Engineering Graduate Students, National Taiwan University” and facilitated the “Graduate Student Poster Exhibition of Department of Chemistry, National Taiwan University”, “Graduate Student Poster Exhibition of Department of Chemical Engineering, National Taiwan University”, “2021 TwIChE Annual Meeting” and other campus activities to contribute to the growth of domestic scientific talents.
- Corporate Volunteering

  Greater Taichung Corporate Volunteer: In 2014, Daxin was awarded in Taichung City Corporate Volunteer Competition, and we have been participating in Greater Taichung Corporate Volunteer activities since 2015. We also continue to encourage employees to give back to the local community. This year, Daxin volunteer club organized our volunteer activities by collaborating with the Social Affairs Bureau, Taichung City Government to distribute supplies to 30 disadvantaged families. Besides the supplies from the government, we also encouraged our employees to donate supplies and successfully raised over NT$25,000 worth of supplies. This event involved 16 employees, and they were granted volunteering leave and awarded a volunteering service certificate.

- Social Contribution
  1. Sustainable Rice: We have initiated employees purchasing sustainable rice for charity since 2018, donating rice to the Taiwan People's Food Bank Association and proceeds from the charity sale to Taichung Guang-Yin Children's Home, Maria Wufeng Caring Home, and other social organizations. As of 2021, employees purchasing sustainable rice for charity has reached NT$158,000, and 614 boxes of rice (1,105 kg in total) have been donated.
  2. Taiwan Fund for Children and Families (TFCF) Christmas Wish Sponsorship Program: Daxin has been participating in the TCFC Christmas Wish Sponsorship Program since 2011. As of 2021, we have fulfilled 1,090 children's Christmas wishes and have been partnering with TCFC's different branches in Taiwan (Taichung, Yunlin, Penghu, and more), hoping to support more children in the future.

Donate Receipts: We have been donating receipts to Sunshine Social Welfare Foundation since 2011 and have donated 8,399 receipts, collectively winning NT$11,596 from the receipt lottery.

3.4.6 Ethical Management Implementation as Required by the Taiwan Financial Supervisory Commission:

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Establishment of ethical corporate management policies and programs (1) Has the Company formulated the ethical corporate management policy approved by the board of directors, and stated in the regulations and external documents the policies and practices of integrity management, as well as the board and senior management's commitment to actively implement the management policy?	V		The company has established the "Ethical Corporate Management Best Practice Principles" and disclosed it on the Company's website. We aim to extend integrity to our customers, suppliers, creditors, shareholders, and the general public. In addition, Daxin strictly prohibits all forms of bribery and corruption. Each employee must comply with the "Employee Code of Conduct", and sign the "Statement of Commitment to Ethical Conduct". The "Code of Ethical Conduct for Directors and Managerial Officers" has been established to guide directors and managerial officers to act in line with ethical standards and to help stakeholders better understand the ethical standards of the Company.	None
(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 risks of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct accordingly 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?	V		The "Employee Code of Conduct" has been established, and all employees are required to sign the "Statement of Commitment to Ethical Conduct". Employees must act with integrity while performing various business activities. We also host ethical management training programs for new hires and company-wide training to reinforce our ethical culture. The responsible units have also formed a reward/punishment system to prevent any unethical conduct within the scope of our business.	None
(3) Does the Company specify the operating procedures, code of conduct, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?	V		The Company has established the "Ethical Corporate Management Best Practice Principles", "Reporting Channels and Whistleblower Protection", and "Codes of Ethical Conduct for Directors and Managerial Officers", as well as "Employee Code of Conduct" to adopt preventive actions. The Company has a zero-tolerance policy regarding any activities in violation of the provisions. The policies are routinely reviewed and subject to amendment.	None
2. Fulfill ethical corporate management (1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		To fulfill ethical business management, Daxin complies with the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, relevant standards and rules for companies listed on the TWSE/TPEx and other business acts, and we strive to strengthen ethical management and to build good business practices. The Company asks its suppliers or contractors to sign "An Undertaking of Transactions in Good Faith" and strictly implement high-standard anti-corruption policies as the	None

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			premise for cooperation.	
(2) Does the Company set up a special unit under the board of directors to promote corporate ethical management, and regularly (at least once a year) report to the board on its integrity management policies and plans to prevent dishonesty and supervision and implementation?		V	The Company's Board meeting approved "Ethical Corporate Management Best Practice Principles" in 2020, which designated Human Resources Development Department to make policy and monitor execution results. It is annually reported the implementation status to the Board and disclosed on the annual report and the company's website.	None
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		The "Codes of Ethical Conduct for Directors and Managerial Officers" and "Employee Code of Conduct" have been established and are regularly promoted to foster a culture of good governance with the focus on ethics. Moreover, the "Reporting Channels and Whistleblower Protection" have been formulated and multiple reporting channels are available for internal and external voices.	None
(4) Does the Company have effective accounting and internal control systems to implement ethical corporate management? Does the internal audit unit devise audit plans based on the results of unethical conduct risk assessments and audit the systems accordingly to prevent unethical conduct, or entrust an external accountant to perform the audit?	V		Daxin has established an effective accounting system and an internal control system that is constantly under review by internal auditors to ensure the system's design and execution remains effective.	None
(5) Does the Company regularly hold internal and external educational trainings on ethical corporate management?	V		The Company provides training on ethical corporate management for new hires and promotes the "Employee Code of Conduct" annually which all employees are required to complete the course and take the test. The passing rate of the test was 92% in 2021. In addition, the Company regularly holds ethical management training, covering the topics of trade secrete infringement prevention, patents and intellectual property, procurement laws and regulations, audit and internal control, and Code of Ethical Conduct and other relevant courses. Courses were participated by 385 employees for 2,203 hours cumulatively; each person received 6 hours of training related to ethical management training.	None
3. Operation of the whistle-blowing system (1) Does the Company establish both a reward/punishment system and convenient whistle-blowing channels? Can the accused be reached by an appropriate person for follow-up?	V		The "Reporting Channels and Whistleblower Protection" states reporting channels and a mailbox (integrity@daxinmat.com) is available on the company's website for external stakeholders. Cases reported through the channels will be investigated and reviewed by designated committee members, in line with the "Reporting Channels and Whistleblower Protection" and the "Employee Code of Conduct".	None

Assessed Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(2) Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		Our "Reporting Channels and Whistleblower Protection" includes reporting channels, investigation, handling procedures, and relevant confidentiality protection. Relevant content can be found on the company's website (http://www.daxinmat.com).	None
(3) Does the Company provide proper whistleblower protection??	V		Our "Reporting Channels and Whistleblower Protection" has stated that the personal data and reporting information of the informant should be kept confidential. The reporting mailbox is handled by responsible persons. Any such reporting will be treated as confidential to the extent permitted by law. Daxin has established proper procedures where employees can bring issues forward without concern or fear of retaliation.	None
4. Strengthening information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		The Company's Board meeting approved "Ethical Corporate Management Best Practice Principles" in 2020, and relevant information is disclosed on the company's website. Integrity and honesty are our operational principles, and all suppliers and contractors are required to sign the "An Undertaking of Transactions in Good Faith". In addition, we also ask our employees and suppliers to refrain from any unethical conduct and conflict of interest.	None
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. The "Ethical Corporate Management Best Practice Principles" were approved by the Board of Directors in 2020, and no discrepancies occurred regarding the implementation status of ethical management from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): Daxin is committed to acting with innovation and integrity and aims to be a leading company for materials innovations. All suppliers and contractors are required to sign our "An Undertaking of Transactions in Good Faith" to demonstrate integrity in business behavior.				

3.4.7 If the Company has established Corporate Governance Principles and relevant standards shall disclose the inquiry method:

Daxin has established the Corporate Governance Principles, and relevant contents can be found at the MOPS or our corporate website (https://www.daxinmat.com).

3.4.8 Other Important Information to Facilitate Better Understanding of the Company's Corporate Governance:

1. Daxin has established an effective accounting system and an internal control system, and internal auditors audit the compliance of aforesaid systems regularly.
2. We arrange senior managers to participate in courses related to corporate governance from time to time.

Please see the managerial officers' participation in continuing studies related to corporate governance in 2021 as follows:

Title	Name	Date	Organizer	Course	Training Hours
Chief Executive Officer	Cheng-Yih Lin	Apr. 27, 2021	Securities and Futures Institute	Discussion on Employee Incentive Strategies and Tools	3
		Aug. 19, 2021	Accounting Research and Development Foundation	Practices of ESG Sustainability: How to Build Corporate Culture and Prepare Sound Financial Reporting	3
President	Tsung-Hsing Kuo	Apr. 27, 2021	Securities and Futures Institute	Discussion on Employee Incentive Strategies and Tools	3
		Sep. 23, 2021	Accounting Research and Development Foundation	Global Enterprise ESG Sustainability Trends and Management Strategies	3
Chief Finance Officer	Yen-Chen Liu	Apr. 15, 2021	Accounting Research and Development Foundation	Case Study and Relevant Legal Liability of "Money Laundering Prevention and Countering the Financing of Terrorism"	3
		Apr. 23, 2021	Securities and Futures Institute	Exchange Rate Risk Management and Accounting Treatment	3
		Aug. 13, 2021	Accounting Research and Development Foundation	Latest Corporate Taxation Laws and Auditing Practices	3
		Sep. 7, 2021	Accounting Research and Development Foundation	ESG Sustainable Investment Trends that Shareholders Focus on & TCFD Recommendations	3
Chief Auditing Officer	Sz-Wen You	Mar. 10, 2021	The Institute of Internal Auditors-Chinese Taiwan	Analyzing the Latest Corporate Governance Trends and Implementing Control over Environmental Implementations	6
		Aug. 23, 2021	The Institute of Internal Auditors-Chinese Taiwan	War and Protection over Intangible Assets - Trade Secrets and Non-compete Clause	6

3.4.9 Implementation of Internal Control System:

- Statement of Internal Control System

Daxin Materials Corporation
Statement of Internal Control System

February 23, 2022

Based on the findings of a self-assessment, Daxin Materials Corporation(hereinafter "the Company") states the following with regard to its internal control system during the year 2021:

I. The Company'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 for the effectiveness and efficiency of the 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.

II. An internal control system has inherent limitations. No matter how perfectly designed , an effective the internal control system can provide only reasonable assurance of accomplishing its stated objective; Moreover, the effectiveness of an internal control system may be subject to change due to extenuating circumstances beyond our control. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company take immediate actions in response to any identified deficiencies.

III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provide in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial 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.

IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.

V. Based on the finding of such evaluation, the Company believes that, as of December 31, 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of subsidiaries), to provide reasonable assurance of achievement of operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and applicable rulings, laws and regulations.

VI. This statement is an integral part of the Company's annual report and the 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 Act.

VII. This statement was approved by the Board of Directors in their meeting held on February 23, 2022, with none of the seven attending director expressing dissenting opinions, and the remainder all affirming the contents of this Statement.

Daxin Materials Corporation

Chairman: *Cheng-Yih Lin*

President: *Tsung-Hsing Kuo*

- If a CPA Has Been Hired to Carry Out a Special Audit of the Internal Control System: None.

3.4.10 If the Company and Its Employees have been Punished by Law, or the Company has Undertaken Disincentive Measures for Its Personnel for the Violation of the Internal Control System Policy During the Most Recent Fiscal Year and as of the Date of this Annual Report. If Such Penalties May Have a Significant Impact on the Shareholders' Equity or the Price of Securities, the Contents of the Penalties, Principal Deficiencies, and Improvements Shall Be Stated: None.

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings During the Most Recent Fiscal Year and as of the Date of this Annual Report:

1. Major Resolutions from the Annual Shareholders' Meeting in 2021
   - Accepted of 2020 Business Report and Financial Statements
     Implementation: Approved.
   - Accepted the proposal for the distribution of 2021 earnings
     Implementation: Approved and had distributed in line with the resolution from the Shareholders' Meeting. (Each share was distributed with cash dividend of NT$5; date of distribution was August 12, 2021.)
   - Approved the amendment of the "Rules and Procedures of Shareholder' Meetings"
     Implementation: Approved; the amended "Rules and Procedures of Shareholder' Meetings" was enacted as of July 20, 2021.
   - Approved to lift the non-competition restriction on directors
     Implementation: Approved to lift of Chin-Cheng Pan, Representative of Eternal Materials Co. Ltd.; Konly Venture Corporation and its Representatives Wei-Lung Liau and Shih-Hung Liao, and Independent Directors Xin-Wu Lin and Wei-Shun Cheng, from the non-competition restriction, and to announce accordingly on the MOPS.

2. Major Resolutions of the Board Meetings:

Meeting Date	Major Resolutions
Feb. 25, 2021	* Approved 2020 Statement on Internal Control System * Approved the distribution of employees' and directors' remuneration of 2020 * Approved the ratio of employees' and directors' remuneration distribution in 2021 * Approved the remuneration for senior managers * Approved the independence and suitability of the Certified Public Accountant * Approved the 2020 Business Report and Financial Statements * Approved the proposal for the distribution of 2020 earnings * Approved the amendment of the "Rules and Procedures of Shareholder' Meetings" * Approved the meeting date and agenda of the 2021 Annual Shareholders' Meeting * Approved the 2021 Business Plan
Apr. 28, 2021	* Approved the appointment of the Certified Public Accountant * Approved the 2021 Q1 (first quarter) Financial Statements * Approved to lift the non-competition restriction on directors * Approved the bank credit limit

Meeting Date	Major Resolutions
	* Approved the amendment of "The Authorization Matrix"
Jun. 30, 2021	* Approved to change the meeting date and venue of the 2021 Annual Shareholders' Meeting
Aug. 4, 2021	* Approved the 2021 Q2 (second quarter) Financial Statements
Nov. 3, 2021	* Approved the 2022 Audit Plan * Approved the 2022 services and fees of the Certified Public Accountant * Approved the 2021 Q3 (third quarter) Financial Statements * Approved the bank credit limit * Approved the 2021 remuneration for senior managers
Feb. 23, 2022	* Approved the 2021 Statement on Internal Control System * Approved the distribution of employees' and directors' remuneration of 2021 * Approved the ratio of employees' and directors' remuneration distribution in 2022 * Approved the remuneration for senior managers * Approved the independence and suitability of the Certified Public Accountant * Approved the 2021 Business Report and Financial Statements * Approved the proposal for the distribution of 2021 earnings * Approved to lift the non-competition restriction on directors * Approved the meeting date and agenda of the 2022 Annual Shareholders' Meeting * Approved the 2022 Business Plan
May 5, 2022	* Approved the 2022 Q1 (first quarter) Financial Statements * Approved the bank credit limit * Approved the amendment of the "Articles of Incorporation" * Approved to change the venue and agenda of the 2022 Annual Shareholders' Meeting

3.4.12 Any Dissenting Opinion Expressed by a Director or Supervisor with Respect to a Major Resolution Passed by the Board of Directors During the Most Recent Fiscal Year and as of the Date of this Annual Report, Where Said Dissenting Opinion Has Been Recorded or Prepared as a Written Declaration, and Its Main Content: None.

3.4.13 Summary of Resignations and Dismissals of the Company's Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Corporate Governance Officer, or Research and Development Officer During the Most Recent Fiscal Year and as of the Date of this Annual Report: None.

3.5 Information on CPA(Certified Public Accountant) Fees

3.5.1 CPA Fees

Monetary unit: Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee	Total	Note
KPMG Taiwan	Chien-Hui Lu	2021.01.01~2021.12.31	1,970	465	2,435	—
	Mei-Yu Tseng					

Non-audit fee: NT$320 thousand for tax compliance audit; NT$100 thousand for review of financial report in English; NT$45 thousand for bonded inventory taking

3.5.2 Non-Audit Fees Paid to the CPA, the CPA's Accounting Firm, and Its Affiliates Were More Than 25% of the Audit Fees : Not applicable.

3.5.3 Replacement of Accounting Firm and the Audit Fees in the Replacing Year Less Than That in the Previous Year: Not applicable.

3.5.4 When Audit Fees Were Reduced More Than 10% Compared With the Previous Year, the Reduction in Audit Fee, Ratio, and Reason Thereof Shall Be Disclosed: Not applicable.

3.6 Information on Replacement of CPAs

3.6.1 Former CPAs:

<table>
<tr><td>Date of replacement</td><td colspan="3">April 28, 2021</td></tr>
<tr><td>Reasons for replacement and explanations</td><td colspan="3">Due to internal adjustment from the accounting firms, as of the first quarter (Q1) in 2021, the Company’s CPAs have been changed from CPA Mei-Yu Tseng and CPA Hai-Ning Huang to CPA Mei-Yu Tseng and CPA Chien-Hui Lu.</td></tr>
<tr><td rowspan="3">State whether the appointment is terminated or rejected by the consignor or CPAs</td><td>Counterparty
Condition</td><td>CPA</td><td>Consignor</td></tr>
<tr><td>Appointment terminated automatically</td><td>✓</td><td></td></tr>
<tr><td>Appointment rejected (discontinued)</td><td></td><td></td></tr>
<tr><td>The opinions other than unmodified opinion issued in the last two years and the reasons for the said opinions</td><td colspan="3">None</td></tr>
<tr><td rowspan="7">Is there any disagreement in opinion with the issuer</td><td rowspan="5">Yes</td><td></td><td>Accounting principle or practice</td></tr>
<tr><td></td><td>Financial statement disclosure</td></tr>
<tr><td></td><td>Audit scope or procedures</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td></td><td></td></tr>
<tr><td>None</td><td colspan="2">✓</td></tr>
<tr><td colspan="3">Explanation</td></tr>
<tr><td>Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)</td><td colspan="3">None</td></tr>
</table>

3.6.2 Succeeding CPAs:

Accounting firm	KPMG Taiwan
Name of CPA	CPA Mei-Yu Tseng and CPA Chien-Hui Lu
Date of engagement	April 28, 2021
Prior to the formal engagement, any inquiry or consultation on the accounting treatment or accounting Principles of specific transactions, and the type of audit opinion that might be rendered on the financial report	None
Written opinions from the succeeding CPAs that differs from the former CPA’s opinions	None

3.6.3 The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards:

Not applicable.

3.7 Table of Evaluation on the CPAs' Independence and Qualifications

Evaluation contents	Evaluation results	Whether independence and suitability criteria have been met
Is the CPA currently employed by the Company to perform routine work for which he or she receives a fixed salary, or currently serves as a director or supervisor thereof?	No	☑Yes ☐No
Has the CPA previously served the Company as a director, supervisor, managers, or an employee with material influence over attestation, and has resigned from the position for less than two years?	No	☑Yes ☐No
Whether the CPA has a relationship with the person in charge or manager of the company as a spouse, lieal relative, direct relative by marriage or collateral relative with the second degree kinship?	No	☑Yes ☐No
Has the CPA, or the spouse or a minor child thereof, invested inthe Company, or shares in financial gains therewith?	No	☑Yes ☐No
Has the CPA, or the spouse or a minor child thereof, lent or borrowed funds to or from the Compnay?	No	☑Yes ☐No
Has the CPA provided management consulting or other non-attestation services to the Company that might affect his or her independence?	No	☑Yes ☐No
Has the CPA failed to comply with regulations, as prescribed by the competent authority with relevant jurisdiction, CPA rotation, handling accounting matters on behalf of the Company, or other matters that affect his or her independence?	No	☑Yes ☐No

3.8 The Company's Chairman, President, or Managers in Charge of Finance or Accounting Matters Hold any Positions Within the Company's CPA Accounting Firm or Its Affiliates in the Most Recent Fiscal Year: None.

3.9 Any Equity Transfer or Changes to Equity Pledge of Directors, Supervisors, Managers or Shareholders Holding More than 10% of Company Shares in the Most Recent Year and as of the Date of this Annual Report

3.9.1 Changes in Shareholding of Directors, Supervisors, Managerial Officers, and Major Shareholders:

Unit: 1,000 SharesTitle	Name: (Note)	2021		As of April 30, 2022	
		Increase (Decrease) of Shares Held	Increase (Decrease) of shares pledged	Increase (Decrease) of Shares Held	Increase (Decrease) of shares pledged
Chairman	Cheng-Yih Lin	0	0	0	0
Director	Tsung-Hsing Kuo	0	0	0	0
Director and Major Shareholder	Konly Venture Corporation	0	0	0	0
Representative of Institutional Director	Konly Venture Corporation Representative: Wei-Lung Liau	0	0	0	0
Representative of Institutional Director	Konly Venture Corporation Representative: Shih-Hung Liao	0	0	0	0
Director and Major Shareholder	Eternal Materials Co. Ltd.	0	0	0	0
Representative of Institutional Director	Eternal Materials Co. Ltd. Representative: Chin-Cheng Pan	0	0	0	0
Representative of Institutional Director	Eternal Materials Co. Ltd. Representative: Chi-Kang Chang	0	0	0	0
Independent Director	Chia-Ching Tong	0	0	0	0
Independent Director	Wei-Shun Cheng	0	0	0	0
Independent Director	Xin-Wu Lin	0	0	0	0
Executive Vice President	Feng-Yu Chuang	15	0	0	0
Vice President	Feng-Liang Chiu	0	0	0	0
Chief Finance Officer	Yen-Chen Liu	0	0	0	0

Note: Refers to increases (decreases) in shareholding during their term of service as Daxin's Directors or managers who has been on serve.

3.9.2 Counterparty of equity transfer is a related party: None.

3.9.3 Counterparty of equity pledge is a related party: None.

3.10 Relationships between TOP 10 Shareholders are Related Parties

Unit: 1,000 shares; April 17, 2022

Name	Current Shareholding		Shares Held by Spouse & Minors		Shares Held through Nominee		Relationship Between Top 10 Shareholders Who are either Related Parties, Spouses or Relatives Within the Second Degree of Kinship		Note
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	Relation	
Eternal Materials Co. Ltd. Representative: Kuo-Lun Kao	23,424	22.80%	—	—	—	—	—	—	—
Konly Venture Corp. Representative: Shuang-Lang Peng	19,114	18.61%	—	—	—	—	Ronly Venture Corp.	the chairman is the same person	—
Ronly Venture Corp. Representative: Shuang-Lang Peng	6,312	6.15%	—	—	—	—	Konly Venture Corporation	the chairman is the same person	—
Fubon Life Insurance Co., Ltd. Representative: Richard M. Tsai	5,850	5.70%	—	—	—	—	—	—	—
Merrill Lynch International- Main Trading - FIA	3,816	3.72%	—	—	—	—	—	—	—
Cheng-Yih Lin	2,299	2.24%	—	—	—	—	—	—	—
Shanlin Investment Co., Ltd. Representative: Chin-Hsiu Peng	2,000	1.95%	—	—	—	—	—	—	—
J.P. Morgan Securities PLC	1,196	1.16%	—	—	—	—	—	—	—
ABS Direct Equity Fund LLC - fund manager ASIA SERIES 3	1,010	0.98%	—	—	—	—	—	—	—
Capital Hi-Tech Fund	910	0.89%	—	—	—	—	—	—	—

Note 1: The top 10 shareholders shall be all specified, and for any institutional shareholder, the name of the institutional shareholder's name and the name of its representative shall be separately specified.

Note 2: Calculations of the shareholding ratio refers to separately calculating the shareholding ratio of shares held by the shareholders and their spouses, minors, and held through nominees.

Note 3: Relations among the shareholders shall be disclosed in line with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, whether the aforementioned shareholders are institutional shareholders or natural persons.

3.11 Total Number of Shares and Combined Shareholding Percentage in the Same Investment Business by the Company, Its Directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company

Unit: Shares; %

December 31, 2021

Investment Business (Note 1)	Investment by the Company		Investment by directors, supervisors, and directly or indirectly controlled businesses		Comprehensive investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
LS Materials Corporation	1,500	100	—	—	1,500	100
Frontier Materials (Samoa) Corporation (Note 2)	—	—	—	—	—	—

Note 1: It is a long-term equity investment from the Company.

Note 2: The registration process was completed on August 9, 2017. As of December 31, 2021, the capital was not injected.

Chapter 4. Capital Overview

4.1 Capital and Shares

4.1.1 Sources of Capital

Unit: NT$ thousands

Month/Year	Issue Price (per share)	Authorized Capital		Paid-in Capital		Note		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
Jul. 2006	10	70,000	700,000	40,000	400,000	Establishment	None	Note 1
Dec. 2007	12	70,000	700,000	60,000	600,000	Capital increase by cash	None	Note 2
Dec. 2007	10	70,000	700,000	60,766	607,660	Employee stock options convert to shares	None	Note 3
Jan. 2009	10	70,000	700,000	61,570	615,700	Employee stock options convert to shares	None	Note 4
Aug. 2009	15	70,000	700,000	61,670	616,700	Capital increase by cash	None	Note 5
Mar. 2010	11.32	100,000	1,000,000	64,134	641,340	Employee stock options convert to shares	None	Note 6
Aug. 2010	10	100,000	1,000,000	67,013	670,126	Capital increase by retained earnings	None	Note 7
	12.57					Capital increase by employees' compensation		
	12					Employee stock options convert to shares		
Jan. 2011	12.29	100,000	1,000,000	68,480	684,796	Employee stock options convert to shares	None	Note 8
Mar. 2011	10	100,000	1,000,000	78,607	786,065	Capital increase by retained earnings	None	Note 9
	16					Capital increase by employees' compensation		
Aug. 2011	12.63	100,000	1,000,000	80,234	802,335	Employee stock options convert to shares	None	Note 10
Jul. 2012	30	100,000	1,000,000	88,932	889,315	Capital increase by cash	None	Note 11
Aug. 2014	10	100,000	1,000,000	93,378	933,781	Capital increase by retained earnings	None	Note 12
Jul. 2018	10	150,000	1,500,000	102,716	1,027,159	Capital increase by retained earnings	None	Note 13

Note 1: Central Region Office, Ministry of Economic Affairs, 07.12.2006 Certificate No. 09532495280.

Note 2: Central Region Office, Ministry of Economic Affairs, 12.14.2007 Certificate No. 09601305760.

Note 3: Central Region Office, Ministry of Economic Affairs, 12.31.2007 Certificate No. 09601317680.

Note 4: Central Region Office, Ministry of Economic Affairs, 01.06.2009 Certificate No. 09701331270.

Note 5: Central Region Office, Ministry of Economic Affairs, 08.20.2009 Certificate No. 09801187490.

Note 6: Central Region Office, Ministry of Economic Affairs, 03.19.2010 Certificate No. 09901052680.

Note 7: Central Region Office, Ministry of Economic Affairs, 08.03.2010 Certificate No. 09901174760.

Note 8: Central Taiwan Science Park Bureau 01.20.2011 Certificate No. 1000001912.

Note 9: Central Taiwan Science Park Bureau 03.24.2011 Certificate No. 1000007038.

Note 10: Central Taiwan Science Park Bureau 08.30.2011 Certificate No. 1000022132.

Note 11: Central Taiwan Science Park Bureau 07.27.2012 Certificate No. 1010017224.

Note 12: Central Taiwan Science Park Bureau 08.12.2014 Certificate No. 1030018731.

Note 13: Central Taiwan Science Park Bureau 07.09.2018 Certificate No. 1070016699.

Unit: Shares
April 30, 2022

Type of Stock	Authorized Capital			Note
	Outstanding (Note)	Un-Isued	Total	
Registered Common Shares	102,715,911	47,284,089	150,000,000	—

Note: The Company's shares are listed on Taiwan Stock Exchange.

Shelf Registration: Not applicable.

4.1.2 Shareholder Structure

Shareholding Record Date: April 17, 2022
Unit: Shares

Shareholding Structure / Number	Government Agencies	Financial Institutions	Other Institutional Shareholders	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	19	37	5,600	72	5,728
Shareholding (Shares)	0	7,833,307	53,429,928	30,578,109	10,874,567	102,715,911
Shareholding Ratio	0.00%	7.62%	52.02%	29.77%	10.59%	100.00%

4.1.3 Shareholding Distribution

Shareholding Record Date: April 17, 2022
Type: Common stock
Unit: Persons; Shares

Range of Shareholding	Number of Shareholders	Shareholding (Shares)	Shareholding Ratio
1 to 999	1,391	214,379	0.21%
1,000 to 5,000	3,528	6,372,332	6.20%
5,001 to 10,000	363	2,794,132	2.72%
10,001 to 15,000	112	1,419,517	1.38%
15,001 to 20,000	85	1,559,165	1.52%
20,001 to 30,000	61	1,561,618	1.52%
30,001 to 40,000	33	1,169,297	1.14%
40,001 to 50,000	30	1,397,614	1.36%
50,001 to 100,000	51	3,648,685	3.55%
100,001 to 200,000	29	3,964,917	3.86%
200,001 to 400,000	27	7,506,940	7.31%
400,001 to 600,000	4	2,026,519	1.98%
600,001 to 800,000	1	641,231	0.62%
800,001 to 1,000,000	4	3,419,400	3.33%
1,000,001 or more	9	65,020,165	63.30%
1,000,000,000 or more	0	0	0.00%
Total	5,728	102,715,911	100.00%

Note: The Company did not issue any preference shares.

4.1.4 List of Major Shareholders

Shareholding Record Date: April 17, 2022
Unit: Shares

Shareholder's Name \ Shares	Shareholding (Shares)	Shareholding Ratio
Eternal Materials Co., Ltd.	23,423,812	22.80%
Konly Venture Corp.	19,113,730	18.61%
Ronly Venture Corp.	6,312,075	6.15%
Fubon Life Insurance Co., Ltd.	5,850,000	5.70%
Merrill Lynch International- Main Trading - FIA	3,816,200	3.72%
Cheng-Yih Lin	2,298,832	2.24%
Shanlin Investment Co., Ltd.	2,000,000	1.95%
J.P. Morgan Securities PLC	1,195,516	1.16%
ABS Direct Equity Fund LLC - fund manager ASIA SERIES 3	1,010,000	0.98%
Capital Hi-Tech Fund	910,000	0.89%

4.1.5 Market Price, Net Worth, Earnings, and Dividends in the Past Two Years

Unit: Thousand shares; NT$ thousands

Item \ Year			2020	2021	As of Apr. 30, 2022 (Note 8)
Market Price per Share (Note 2)	Highest		92.50	154.00	163.00
	Lowest		61.00	81.90	97.1
	Average		84.01	94.79	133.94
Net Worth per Share (Note 3)	Before Distribution		28.24	29.86	31.45
	After Distribution		23.24	Note 1	—
Earnings per Share(EPS) (Note 4)	Weighted Average Number of Shares		102,716	102,716	102,716
	EPS Before Adjustment		6.15	6.62	1.59
	EPS After Adjustment		6.15	Note 1	—
Dividend per Share	Cash Dividend		5.00	Note 1	—
	Stock Dividends	Dividends from Retained Earnings	—	Note 1	—
		Dividends from Capital reserve	—	Note 1	—
	Cumulative Unpaid Dividends		—	Note 1	—
Return on Investment	Price/Earnings Ratio (Note 5)		13.66	14.32	—
	Price/Dividend Ratio (Note 6)		16.80	Note 1	—
	Cash Dividend Yield (Note 7)		5.95%	Note 1	—

Note 1: Pending resolution at the 2022 Annual Shareholders' Meeting.

Note 2: The highest and lowest market prices are listed, and the average market price are calculated based on the trading value and volume.

Note 3: It shall be calculated based on outstanding shares at the end of the year and the distribution resolution by the shareholders' meeting in the following year.

Note 4: Retroactive adjustment is required due to distribution of stock dividends, the EPS before and after adjustment shall be entered.

Note 5: Price/Earnings Ratio = Average closing price per share for the year / Earnings per share.

Note 6: Price/Dividend Ratio = Average closing price per share for the year / Cash dividend per share.

Note 7: Cash Dividend Yield = Cash dividend per share / Average closing price per share for the year.

Note 8: Net worth per share and EPS shall be the information in the most recent quarter, and have audited (reviewed) by CPAs.

4.1.6 Dividend Policy and Implementation

(1) The dividend policy stipulated in the Company's Articles of Incorporation:

The Company adopts the residual dividend policy considering factors such as the Company's current and future investment environment, cash requirements, domestic and overseas competitive conditions, and capital budget, etc., while taking into account the shareholders' interests, maintenance of a balance dividend and the Company's long term financial plan. The shareholders' dividends and bonuses may be distributed by way of cash dividend and/or stock dividend, and the ratio for cash dividend shall not be less than 10% of total distribution.

The aforementioned article was proposed to amend by the Board of Directors on February 23, 2022 as follows:

The Company adopts the residual dividend policy considering factors such as the Company's current and future investment environment, cash requirements, domestic and overseas competitive conditions, and capital budget, etc., while taking into account the shareholders' interests, maintenance of a balance dividend and the Company's long term financial plan. When the dividends are distributed, at least 30% of the retained earnings available for distribution of the current year shall be distributed as dividend, which may be distributed by way of cash dividend and/or stock dividend, and the ratio for cash dividend shall not be less than 10% of total distribution.

The aforementioned amendments is pending a resolution by 2022 annual shareholders' meeting.

(2) Distribution of Dividends Proposed in the Shareholders' Meeting:

The Company's earnings distribution proposal for 2021 was approved by the Board of Directors on February 23, 2022 to distribute cash dividends to shareholders, with NT$5.3 per share. However, this proposal is pending a resolution by 2022 annual shareholders' meeting.

(3) Material Change Expected in the Dividend Policy: None.

4.1.7 Effect of Stock Dividend Distribution Proposed by the Shareholders' Meeting on the Company's Operation Performance and Earnings per Share:

The Company did not disclose the 2022 financial forecast, hence not applicable.

4.1.8 Remuneration to Employees and Directors

(1) The percentages or ranges of compensations for employees and directors base on the Company's Articles of Incorporation.

If the Company has a profit (income before tax, excluding remuneration to employees and Directors) for each fiscal year, the Company shall first reserve a sufficient amount to offset its accumulated losses, and then distribute the remaining in accordance with the ratio as follows:
I. No less than 3% as employees' remuneration.
II. No more than 1% as directors' remuneration.
Employees' remuneration may be distributed in the form of shares or cash, and employees qualified to receive the remuneration may include employees of the subsidiaries of the Company meeting certain specific qualifications. The remuneration of employees and directors shall be resolved by the Board of Directors and reported to the shareholders' meeting.

(2) The accounting procedure used to handle differences between the basis for estimating the amount of employees' and directors' remuneration, basic for calculating the shares to be distributed as employees' remuneration and the actual distributed amount for this period:

The employees' and directors' remuneration were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the Board of Directors, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

(3) Employees' and directors' remuneration approved by the Board of Directors:

- The amount of any employees' and directors' remuneration distributed in cash or stock:
  The Company's 2021 employees' and directors' remuneration distribution proposal was approved by the Board of Directors on February 23, 2022. The employee's remuneration is NT$63,074,614 and the director's remuneration is NT$6,307,461; both shall be paid in cash.

If there is any difference between the distributed amounts and the estimated amounts for the fiscal year, the difference, its cause, and the status of treatment shall be disclosed: No discrepancy.

- Sum of employees' remuneration in stock and its proportion of the net income after tax provided in the Individual Financial Statement and the total sum of employees' remuneration: Not applicable.

(4) Actual distribution of employees' and Directors' remuneration in the previous year, and If there any difference between the actual distributed amounts and the estimated amounts, the difference, its cause, and the status of treatment shall be disclosed :

The Company's 2020 employees' and directors' remuneration distribution proposal was approved by the Board of Directors on February 25, 2021. The employee's remuneration to be distributed in cash was in the amount of NT$58,976,680 and the director's remuneration NT$5,897,668. It was reported to the shareholders' meeting on July 20, 2021. There was no difference between the actual amounts of employees' and directors' remuneration distributed and the approved amounts by the Board of Directors.

4.1.9 Repurchases of Company's Shares: The Company did not repurchase its shares in the most recent year and as the date of this annual report.

4.2 Status of Corporate Bonds: None.

4.3 Status of Preference Shares: None.

4.4 Status of Overseas Depository Shares: None.

4.5 Status of Employee Stock Option: None.

4.6 Status of Restricted Stock Issuance : None.

4.7 Issuance of New Shares in Connection with Mergers or Acquisitions: None.

4.8 Funding Plans and Implementation: None.

Chapter 5 Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

(1) Major Contents

The Company mostly operates in the research, design, development, manufacturing, and sales of chemical materials used by the optoelectronics and semiconductor industry:

(i) Various photoresists, PI alignment layer, liquid crystal, and other related chemicals used in the manufacturing process of displays
(ii) Overcoat, optical clear resin, and other related chemicals for touch panels
(iii) Ingot slicing solutions , anti-reflection materials, and other related chemicals for the energy industry
(iv) Dielectrics, adhesives and other related chemicals for the semiconductor industry
(v) Encapsulants and other related chemicals for the lighting industry
(vi) Specialty chemicals for other electronic products
(vii) Analysis and identification of chemical composition
(viii) Inspection and measurement of product characteristics

(2) Business Proportion and Current Products

Unit: NT$ thousands

Product Categories	Major Products	2021	
		Operating Revenue	Revenue Ratio (%)
Display materials	Photoresists, PI alignment layer, photo overcoat, optical clear resin, copper (Cu) etchant, liquid crystal, and wet chemicals etc.	4,309,094	95.47%
Semiconductor materials and key raw materials	Organic release layer, high-purity solvents, specialty monomers, ingot bond, silicon based anode materials of lithium ion batteries and raw materials etc.	204,340	4.53%
Total		4,513,434	100.00%

(3) New Products to Be Developed

Display industry materials	Semiconductor industry materials	Key raw materials
1. PI-less liquid crystal (PI-less LC) 2. PI alignment layer for 8K 3. PI alignment layer for curve/flexible screen and fast response and high-transmittance LC 4. Next gen. Cu etchant for 8K 5. Micro LED packaging materials	1. Transfer bonding layer 2. High-efficiency remover 3. High-purity special cleaner 4. Photosensitive dielectrics with low Dk/Df 5. Photosensitive buffer layer	1. Functional monomers of PI 2. High-purity additives 3. High-purity monomers 4. Specialty crosslinker

5.1.2 Industry Overview

(1) Current Status and Development

A. Display Industry

As the stay-at-home economic demand from 2020 has extended into the first half of 2021 due to the COVID-19 pandemic, as well as factors including raw material shortage and global shipping congestion, display prices have risen to the highest levels seen in recent years. Korean-based Samsung has therefore delayed the scheduled shut off of their LCD production line once again.

And as the inventory for displays grew in the second half of 2021, enterprises turned more conservative in inventory policy, leading to a dramatic decline in display prices during that period. Major display producers have adjusted their market strategies accordingly, for instance, LG used their LCD capacity to produce IT products instead. Alternatively, Chinese enterprises actively entered the IT display market and readjusted their capacity to fortify their market leadership over the LCD industry.

It can be expected that ultra-high quality, large-scale 8K displays will continue to grow in the display market. Daxin will also continue to develop display materials with more advanced specifications, including high-resolution photo spacers, next-gen copper etchant, PI alignment layer for 8K, and fast response and high-transmittance LC in order to comprehensively serve the high-spec LCD market.

B. Semiconductor Industry

Based on estimates from World Semiconductor Trade Statistics (WSTS), benefiting from the “transfer order effect” generated by the US-China trade war and economic recovery, the scale of the global semiconductor industry market has reached US$550.9 billion, while the semiconductor industry production value has reached US$130.8 billion in 2021. Going forward in 2022, thanks to competitive advantage in semiconductor technology and process, the relevant production value will reach an annual growth of 12% to reach nearly US$163.6 billion in Taiwan. This growth momentum is larger than the average global semiconductor industry growth rate of 10.1%, and Taiwan will continue to lead the development of semiconductor industries across the world.

In terms of advanced process technology, currently nearly all chips and development of 5G, AI, and Advanced Driver. Assistance Systems (ADAS) across the globe have adopted process node below 7 nanometers (nm). In addition, smartphone and HPC applications are also being developed on 3 nm R&D platforms. Taiwan continues to maintain the leadership over advanced process development, and the demand to retain critical technologies and special materials applications have also driven the opportunities for local materials manufacturers to evolve and localized production.

With the emergence of a Post-Moore’s Law Era from advanced process, the semiconductor industry will continue to focus on the development of advanced packaging. Research institution Yole has stated on its advanced packaging market report that the production value of advanced packaging is expected to grow at a compound annual growth rate (CAGR) of 7.9% between 2020 to 2026, and revenues will exceed US$42 billion. The advanced packaging is projected to grow at 3X of that of the traditional packaging. From outsourced semiconductor assembly and test (OSAT) to wafer foundry, all relevant companies are focused on the market opportunities from chiplet heterogeneous integration. Various heterogeneous integration technologies have been proposed, and each has its own strengths.

The evolution of advanced process and advanced packaging technologies have brought forth the demand for new materials, all semiconductor manufacturers also continue to pose increasing rigorous demand over material specification in their diverse processes. Boasting both geographical advantage and innovative development competencies, Daxin is also committed to actively and effectively collaborating with our clients to provide total solutions.

C. Key raw materials

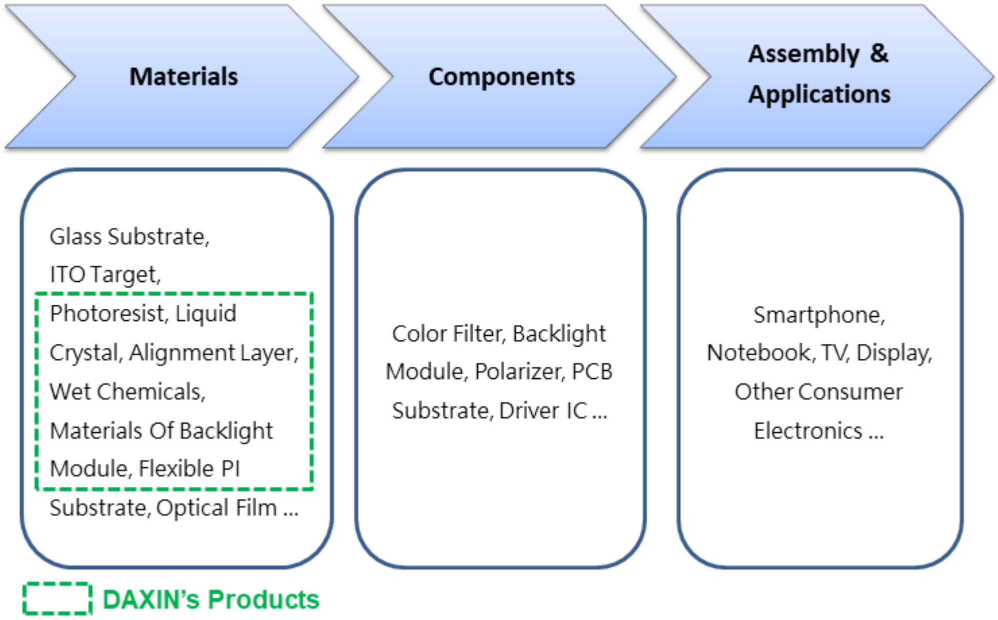
On top of international geopolitical issues in recent years, the ongoing pandemic, supply chain problems, and international shipping congestions, and the long-term Japanese domination of upstream raw materials and advanced electronic chemicals, required for the high-tech industry, have also become issues of high concern across the globe. And countries have all invested toward the localization of materials in order to respond to these potential and uncertain risks. Though Taiwan is a market leader for semiconductor and display industries, our self-reliance for related specialty chemicals, such as advanced photo resist, cutting edge electronic materials, and high-purity raw materials, is relatively low and mostly rely on imports from Japan. In particular, the upstream raw materials are the most critical but pose high entry barriers, and this also presents an opportunity for Taiwanese material manufacturers to acquire a key position in this high-value industry.

By utilizing our synthesis competency, we will continue to develop special monomers and specialty polymer materials as well as establish various purification technologies. We aim to develop the raw materials for value-added applications, including advanced semiconductor process materials, special additives, and ultra-high purity chemicals. These will help Taiwan's materials industry to upgrade and to transform itself by moving toward high technical entry barriers, high value products, and to bridge the gap in Taiwan's upstream key raw materials.

(2) Relationship Amongst Upstream, Midstream, and Downstream Sections of the Industry

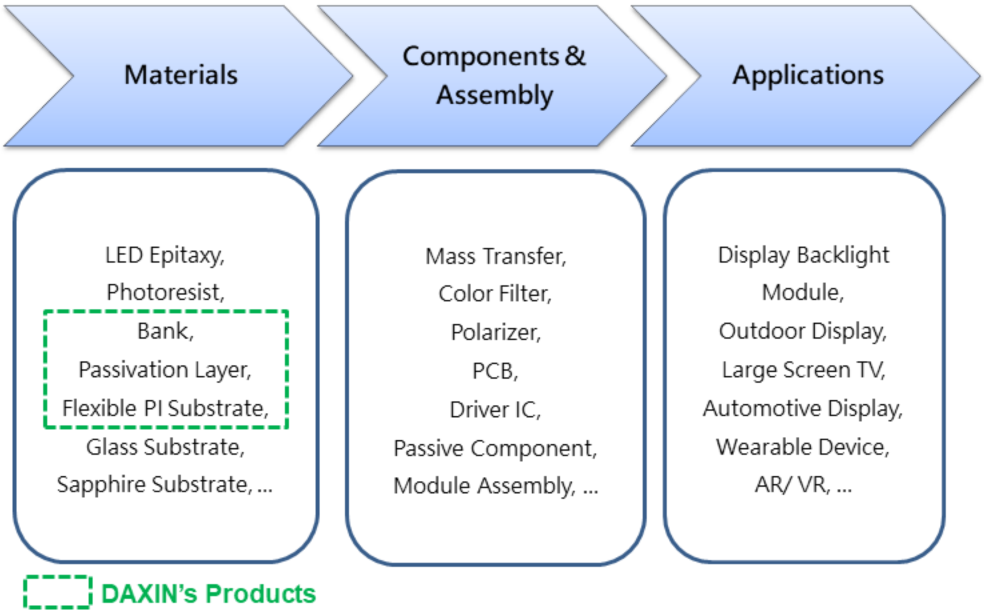
A. Display Industry

- LCD Display Industry Supply Chain



Source: compiled by the Company

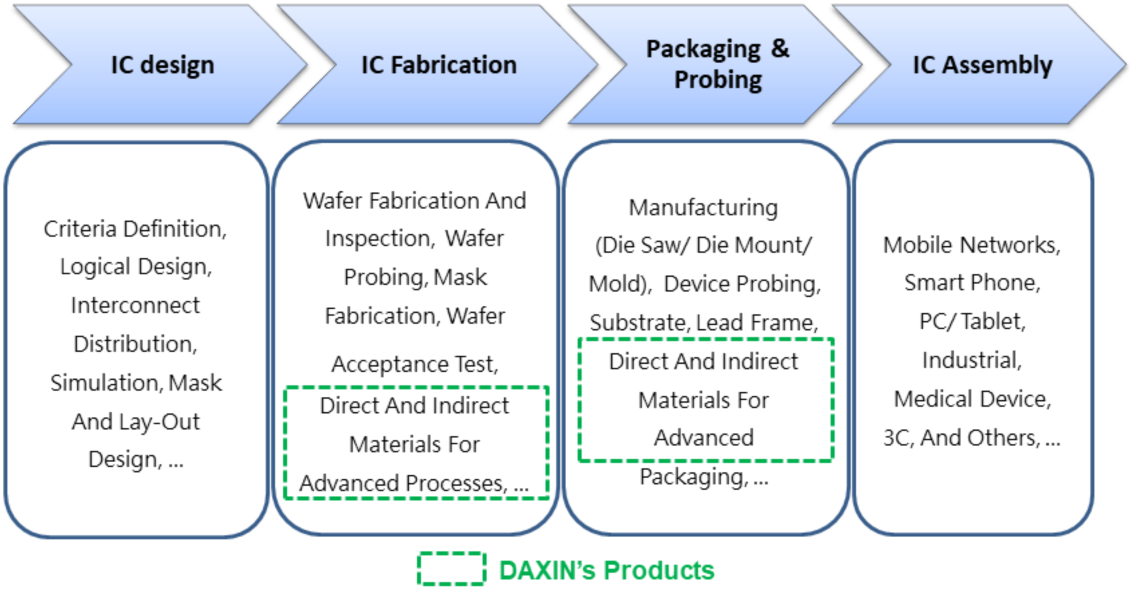
- Mini/Micro LED Industry Supply Chain



Source: compiled by the Company

B. Semiconductor Industry

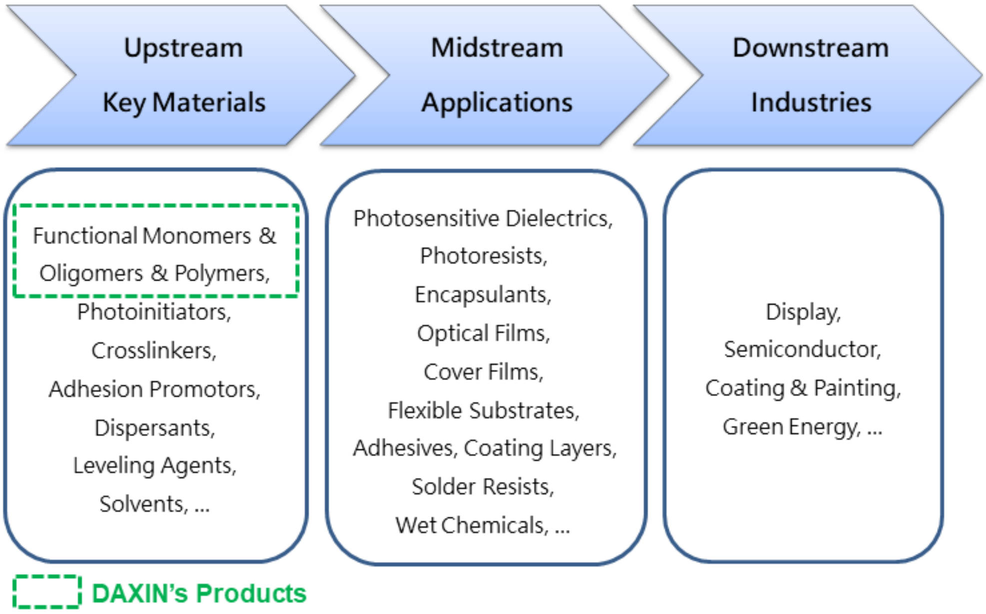
- Semiconductor Industry Supply Chain



Source: compiled by the Company

C. Key raw materials

- Key Raw Materials Industry Supply Chain



Source: compiled by the Company

(3) Product Development Trends and Competition

- Product Development Trends

A. Photo resist materials (photo spacer and black matrix resist)

The Company has several years of mass production experience in photo resist materials. Armed with advantages including products that are high sensitivity, high recovery rate, and wide process window, we can provide materials that meet clients' PSA, COA, POA, or IPS product designs, as well as different exposure facilities including Proximity, Stepper, and LED. The range of film thickness is from 1.5 to 4.5um, allowing for various applications. In response to the growing trend of 8K ultra-high resolution LCD and fast-response liquid crystal, Daxin also strives to develop high resolution photo spacer materials. Currently, our high resolution photo spacers possess good performance of sensitivity, height variance, and mechanical properties under miniaturization, while also achieving mass production and yield, allowing us to facilitate clients to produce high-quality LCDs. While pursuing for differentiated quality, our raw materials also conform with the latest EU green product standards, and we realize our responsibilities as global citizens by providing safe and low-toxic user experience.

The black matrix resist is used to separate the three primary colors (RGB) in the color filer of the LCD. On top of providing black matrix resist with high optical density, thermal and chemical resistance, we have also developed black matrix resists with high resolution, high electrical resistance, high thermal resistance, and high optical density to meet the market demand for high-end high-resolution LCDs and next-gen displays.

B. Liquid crystal alignment layer (PI)

The development of the LCD technology is highly diverse, and PSA alignment technology is one of the most important mainstream technologies. The Company has successfully entered into mass production of PSA alignment layer and continues to expand market share in this field. At the same time, we have also developed products with high adhesion and fast pretilt angle formation to meet the market demand for high resolution, narrow bezel and curved displays.

C. Liquid crystal materials

We have successfully mass produced high-end FFS liquid crystal materials, and continue to develop materials with high transmittance, fast response, and wide temperature range to expand the application specifications of our products. The SAVA liquid crystal materials, developed using new technology, are characterized by their high transmittance and PI-less. These can be applied to high-end products such as bezel-less LCD and verifications have already begun. Subsequently, the Company will develop PSA liquid crystal and build a comprehensive product line in order to provide liquid crystal materials with competitive strengths in both technology and price.

D. Copper etchant

In response to the rapid growth of 8K display market, major brands including Samsung, LG, Sony, and Sharp have already launched related products, and 8K TV is expected to become the new mainstream high-resolution product in the market by 2022. With the demand for ultra-high resolution 8K display driving the market, ways to prevent RC delay caused by resistivity of metal line has become an important technical issue. For conducting metal lines, copper has therefore gained much interest for its low resistivity. The Company can provide a steady supply of copper etchant with high copper ions loading and safety to major LCD manufacturers. At the same time, to meet the trend for green and environmentally friendly chemicals, we can also provide recyclable copper etchants with h extended lifetime for next-gen copper process.

E. Thermal overcoat

By utilizing years of product development experience, the Company has developed a next-gen thermal overcoat in recent years. The strengths of this product include low thermalgravimetric loss, low water absorption, high transmittance, high hardness, high adhesion, high degree of planarization, high reliability, and solvent resistance. On top of the general rubbing PI process, it can also be used in high-end photoalignment process to protect the color resist layer under it. Automotive LCD have been in high demand in recent years. Known for its high reliability, our transparent thermal overcoat has passed automotive specification verifications by major Taiwanese display manufacturer and adopted by various automotive products. Going forward, we will continue to develop thermal overcoats with even higher specifications to meet the reliability requirements of large-size displays in electric vehicles.

F. Photosensitive passivation and planarization layer

Applied to flexible/foldable displays, Daxin's photosensitive dielectrics have low water absorption and low Dk as well as good UV resistance, thermal resistance, chemical resistance, and mechanical properties. They are highly competitive in the applications on flexible and foldable products, and have already been successfully used during the manufacturing process of Flexible EPD. We are actively collaborating with clients' verifications on their applications for microLED as dielectrics in redistribution process.

G. Binder of anode materials for lithium ion battery

Lithium ion batteries are widely used in wearable consumer electronic products and electric vehicles. All manufacturers are currently committed to developing anode containing silicon materials, which may effectively enhance the battery capacity but comes with the drawback of severe volume expansion and contraction during charging/discharging. The high affinity of water-based binder may stabilize the structure of the silicon anode as well as the lithium-ion diffusion pathway during battery charging and discharging, resulting in better retention in capacity and good cycle life for the battery.

H. Organic release layer

Used during the temporary bonding/debonding process of advanced semiconductor packaging, the exceptional quality and process capability of our laser organic release layer allowed the product to be successfully adopted to a growing number of wafer-level and panel-level packaging customers. The laser release technology can be widely applied to heterogeneous integrations such as advanced packaging. Presently, we offer next-gen multi-functional release layer materials to meet customers' new process development needs and to maintain our competitive advantage.

I. Photosensitive dielectrics

It applies various new types of packaging structure for advanced packaging processes and serves as a bridge of interconnects to connect multiple dies with redistribution layers. It trumps all over packaging materials in terms of growth in demand and market size. The liquid type of photosensitive dielectrics offered by the Company have good mechanical properties, excellent metal adhesion, chemical resistance, and thermal resistance, thereby satisfying all types of advanced packaging applications. During the current 5G high-frequency applications, the Low Df Dielectrics for RDL is a technical gap in advanced packaging materials, and we will launch corresponding dielectrics that meet the 5G high-frequency application requirements shortly.

J. Temporary protection layer

A temporary, organic protective material used during the post process of silicon wafer. As IC designs become increasingly complex, this layer can be coated on the wafer to protect device surface from damage during the cutting and grinding process. It can be removed through wet cleaning or dry etching after the process. This product has been successfully adopted by clients, and we will continue to develop a next-gen protection layer required by new processing technologies.

K. Dianhydride

Cyclobutane-1,2,3,4-tetracarboxylicdianhydride (CBDA) has high chemical reactivity and is widely used in the synthesis of polyimide (PI) and polyamic acid (PAA). Its good electrical characteristics help manufacturers to achieve high voltage retention and low DC residual voltage in the liquid crystal alignment materials for LCD applications. Its high transmittance also allows it to be used in the flexible colorless PI optical substrates.

- Competition

Below is a description of the market competition of the Company's products:

A. Photo resist materials (photo spacer, black matrix resist): Daxin is a leading supplier for photo spacer and we are equipped with the technical skills to set the specifications for next-gen products. We will continue to maintain our leadership position going forward. Most of the key raw materials for the black matrix resist is developed in-house, allowing us to provide products with exceptional quality at competitive prices and to rapidly expand our market share among intense market competitors.

B. Liquid crystal alignment layer (PI): Daxin is one of the few global suppliers for liquid crystal alignment layers, and the volume of shipment continues to grow in each year. We are committed to developing the technologies of PSA vertical alignment layers and photoalignment layers for liquid crystal with even better materials performance, expanding the market share for high-resolution and narrow bezel product applications, and we also continue to optimize our production cost structure to provide products with competitive prices.

C. Liquid crystal: We are focused on price competitiveness and developing high-specification technologies. We have developed highly effective synthesis and purification technologies, built manufacturing capability of molecules, enhanced cost competitiveness, and we continue to strategize new singles and mixtures of liquid crystal technologies to break patent constraints with the goal of developing high-end products to expand market share.
D. Cu etchant: By strengthening the competitive advantages from strategic cooperation with red supply chain, we have expanded our market share in China, and we are currently a major market supplier. The 3rd gen. Cu etchant for 8K has successfully begun mass production and is being adopted by customers, and we will continue to launch the 4th gen. Cu etchant to maintain our competitive strength.
E. Thermal overcoat: The Company is a major upstream chemical materials supplier. We collaborated with leading display manufacturers in functional enhancements and tests of our thermal overcoat in response to the future automotive display specifications and to enhance reliability. The overcoat has passed automotive specification reliability test, and we will continue to develop next-gen specifications and to maintain our leadership over material performance.
F. Photosensitive passivation and planarization layer: Currently, the mainstream material of photosensitive dielectrics is PI. Our competitive strength lies in having lower water absorption and lower dielectric constant than PI as well as good mechanical properties and bendability. This is highly beneficial toward applications in bendable/foldable products and has helped us to penetrate a market that has otherwise been dominated by a select few vendors. We continue to expand its applications, for instance, dielectrics of redistribution layers in advanced packaging and microLED substrate.
G. Binder of anode materials for lithium ion battery: The mainstream graphite-based anode binder is SBR/CMC; nevertheless, it has a higher resistivity when it comes to the applications of high power charging/discharging and the capacity would be more prone to decline when the silicon content is increased. To enter the next-gen high-power battery field, the Company's goal is to develop a special binder for high capacity battery cells that provides a longer-lasting battery retention rate and a higher current charging/discharging efficiency.
H. Organic release film: An innovative material design in which a single material can be used in numerous processes to simplify the complexity of manufacturing process for clients. This material has successfully replaced traditional release films and has been used by many key clients. The Company will continue to launch next-gen, multi-functional organic release films to maintain our competitive edge. There is currently no alternative product in the market, and we will continue to be a major supplier for advanced packaging process.
I. Photosensitive dielectrics for redistribution layer and buffer layer: The market for these products has a very high entry barrier and is dominated by a select few Japanese suppliers. Materials that we developed have entered verification phase and we will work closely with key clients to end the market monopoly. At the same time, we are also planning to develop materials with even higher performance and specifications required for next-gen products, such as high resolution, low-temperature curing and high mechanical properties. We will continue to utilize our geographical advantage to accelerate the verification and volume manufacturing of new products.
J. Temporary protection layer: By collaborating with key clients, we have developed a series of highly customized chemical products that conform to their special processes. Since these are customized materials designed to satisfy the needs for excellent protective function in various processes and easily to be removed after processing, there is zero substitute for this product in the market.
K. Dianhydrides: The CBDA used in LCD PI alignment layer; though there are many market suppliers, the monomer required by the optoelectronics industry demands for higher technical entry barrier, and the Company has become a major supplier because of our stable quality, high purity, and competitive pricing.

5.1.3 Technology and R&D Overview

Daxin's three major product markets include display materials, semiconductor materials, and key raw materials. In 2021, we spent NT$440 million toward research and development (R&D), and invested a significant amount of resources innovating products and advanced manufacturing technology, acquiring precision equipment and instruments, and building plants and high-purity production lines.

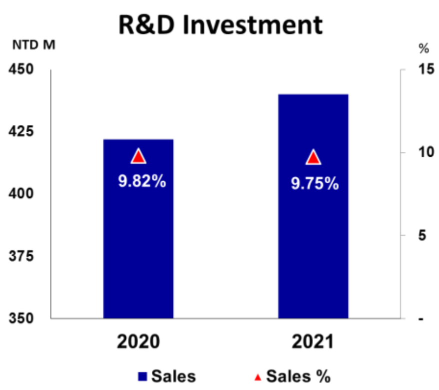
In terms of **display materials**, though the LCD market has entered a maturity phase, there are few market competitors for products with high entry barriers and high profits, such as the PI alignment layer which has only a few competitors, and though there are many competitors for photo resist products, since it is

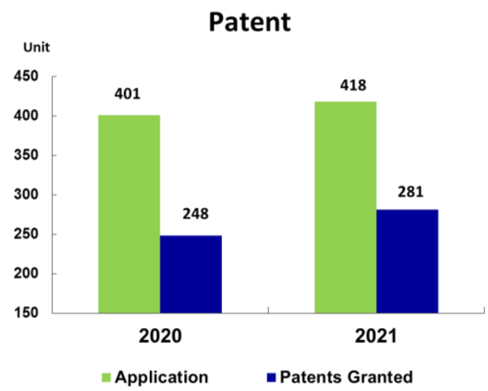
heavily used by the LCD companies, we can effectively increase its profitability by reducing the cost of high-priced raw materials. Our marketing and R&D strategies of display materials are based on producing products with high entry barriers also high profitability and reducing costs of products.
As the next generation of display technology is emerging, we are also committed to innovating and developing materials for e-Paper, eSports, automotive, and microLED displays. With the growth of market demand, we will begin to produce new products.

As for **semiconductor and key raw materials**, we have invested enormous R&D resources toward chemistry, process, and manufacturing facilities in these two fields to develop high-end products of high-quality, low-particle and low ionic impurities (the concentration requirement of ionic impurity of certain products have even reached ppt. levels). Though we did not experience major revenue growth in 2021, we have reached important progress in terms of overall product strategies and development. Moreover, we have joined the Angstrom Semiconductor Initiative grant (priority will be given to R&D of wafer buffer layer, the regulated material) from the Ministry of Economic Affairs (MOEA). Currently, more than half of our R&D resources are dedicated to the semiconductor materials, and some of the products which are under development will be used to replace existing products, while others are being innovated in response to clients' advanced processes or new products. Most of the materials will be applied to advanced packaging process and advanced wafer process including front-end-of-line (FEOL) and backend-of-the-line (BEOL). Some of the aforementioned materials have begun transferring to high-volume manufacturing, while others have received Process of Record (POR) from clients, and will demonstrate relatively higher revenue contribution when our clients begin high-volume manufacturing. In addition, our clients include both domestic and foreign customers.

Semiconductor material products:
Organic release layer: it has commenced high-volume manufacturing for wafer level packaging (WLP) clients, and small-volume manufacturing for panel-level packaging (PLP) clients.
Photosensitive dielectrics: it applies various new types of packaging structure for advanced packaging processes and serves as a bridge of interconnects to connect multiple die with redistribution layers. It trumps all over packaging materials in terms of growth in further demand and market size.
Temporary protection layer: a temporary, organic protective material used during the post process of silicon wafer. It can be removed by wet cleaning or dry etching after the process.
Other products such as special removers, photoresist strippers, and photoresist top coat are also being developed one by one and undergoing client verifications.
Key raw material products:
The major products include: special anhydrides, special epoxy resins, crosslinkers, or additives, and are used in displays, semiconductors, epoxy packaging materials, or other electronic materials. They are characterized by their high purity and low ionic impurities. Daxin's processing and equipment technical competency can produce small-batch and diverse types of high-end chemical products to be used in various formulations by the materials industry, thereby meeting the industry demand for high-quality and specialty key electronic materials. Though the production and sales of these products are time-consuming and take longer-term to complete, such products will have relatively long product life cycles once they have been successfully promoted.

R&D Investment in the Most Recent Fiscal Year and As the Date of this Annual Report





- Technology or Product Successfully Developed

Year	Technology or Product Successfully Developed
2020	FFS liquid crystal (5V/14ms)
	Carrier film
	Low Dk dianhydride monomer
	High-purity additives
	High-purity stripper
	High-purity cross-linker
2021	High-resolution photo-spacer for 8K
	Thermal overcoat for FFS
	Fast response and high-transmittance LC
	PI alignment layer with low-image-sticking
	3rd gen. Cu etchant for 8K
	High-purity special cleaner
	High-efficiency remover

5.1.4 Long- and Short-Term Business Development Plans

Short-Term Business Development Plan

For 2022, our product strategy lies in three major areas: displays, semiconductors, and key raw materials, and we will actively increase the ratio of semiconductor and key raw materials.

(1) Display materials:

The LCD industry is nearing maturity and there is relatively high pressure to reduce costs due to intense market competition. We will continue to optimize production process and to produce key raw materials in-house in order to ensure the stability of our supply chain and to increase cost competitiveness. We will also strive to develop materials with higher performance and specifications to satisfy the clients' increasingly advanced display technologies, to accelerate product verification process and to improve operating effectiveness as well as to expand market share.

(2) Semiconductor materials:

The semiconductor industry is growing and the Company has entered the semiconductor materials market of advanced process by using the development experience of advanced packaging materials. We strive to build a more comprehensive semiconductor materials roadmap.

- ■ Advanced packaging materials:
  - Indirect materials: Complete verifications from new European/American clients, seize the schedule of new product qualification.
  - Permanent materials: Accelerate product characteristic verification and product tests at the clients' side.
  - New materials development: Satisfy the materials required for next-generation 3D architectures and heterogeneous integration.
- ■ Advanced process and mature processing materials:
  - BEOL processing materials: Product is developed and clients are conducting verifications.
  - FEOL processing materials: New product development, stay on top of client testing schedule.
  - Build high-purity synthesis, purification, and formula production lines and enhance the capabilities of precision purification and manufacturing technologies.
  - Independent supply of semiconductor-level chemical products with ultra-high purity and consistent high-quality.

(3) Key raw materials:

Key raw materials mostly include high-purity, functional monomers with low ionic impurities, additives, and crosslinkers. On top of displays, semiconductors, and other electronic materials industry, we are also expanding toward new markets and new applications.

- PI functional monomers: Complete verifications from Japanese and Korean clients, seize the schedule of new product qualification.
- Liquid crystal molecules: We patented our designs to boost client confidence in order to accelerate product release and volume production.
- Specialty crosslinkers: Independent supply to prevent unstable upstream suppliers from affecting downstream clients.
- High-purity monomers: Monomers synthesized by chlorine-free process and adopted to satisfy the demand for advanced semiconductor chemicals.

Long-Term Business Development Plan

Daxin strives to become a world-leading material innovator. Through integrating our commitment to developing high-specification materials across each field with process optimization and equipment development, as well as by achieving independent supply of key raw materials, we will continue to develop advanced material technologies. The Company continues to integrate external and internal resources and strengthen our sustainable development in the fields of displays and semiconductor industries in order to provide optimal, total solution for customers as well as to expand to new markets and applications to increase revenue contributions.

5.2 Analysis of the Market as well as Production and Marketing Situation

5.2.1 Market Analysis

(1) Geographical Information of Sales

Unit: NT$ thousands

Year / Item	2020		2021	
	Amount	%	Amount	%
Domestic	2,655,020	61.80%	2,728,399	60.45%
Overseas - Asia	1,638,536	38.14%	1,782,350	39.49%
Overseas - Americas	2,225	0.05%	2,180	0.05%
Overseas - Europe	322	0.01%	505	0.01%
Total	4,296,103	100.00%	4,513,434	100.00%

(2) Market Share

■ Display materials:

Daxin is a major LCD materials supplier, and we supply chemical materials for all processes, including Array, Cell, and Color Filter. Our comprehensive product line has passed verifications by all major display manufacturers. The 3rd gen. Cu etchant for 8K is continuing to be adopted by new customers for the Array Cu process, and we continue to maintain market leadership. As for the core materials (including liquid crystal alignment layer and liquid crystal) for Cell process, the liquid crystal alignment layer PSA PI are steadily being shipped to Gen. 8 above production lines and verifications from new clients have also been completed, making us one of the few global major suppliers. Fast-response liquid crystal reached mass production and is being adopted to laptops and monitors, and we will continue to introduce it to new models to increase shipment and share. In terms of the photo resist materials (photo spacer and black matrix resist) used in the Color Filter, we have had years of mass production experience and our photoresist clients have expanded capacity and put into new production lines, helping us to maintain global leadership position. Moreover, we are also developing even higher-spec next-gen photo resist materials. We are continuing steady supply of planarization layer for Array process to the world's largest e-paper display manufacturer, while also seeking for new applications and business opportunities.

In response to the price reduction pressure from market competition, we need to enhance competitiveness by offering product differentiation as well as continue to optimize material costs to expand market share.

■ Semiconductor materials:

The Company’s products roadmap include advanced packaging, advanced process, and mature process. In terms of advanced packaging process, our organic release layer has achieved steady high-volume manufacturing and shipments as well as completed verifications from new European and American clients, which will help us to acquire market share in this area. For photosensitive dielectrics used in advanced packaging and advanced process, they require high technical entry barrier and long verification process. By participating in a national semiconductor plan and integrating internal and external resources, we can accelerate verifications and product adoption through third-party. In terms of advanced process and mature process, we have expanded the capacity for the high-purity special cleaner and its market share in response to client's plant expansion and production line expansion needs. As for other new products, such as the special remover, photo resist stripper, and photo resist top coat, development has been completed and verification tests are ongoing at clients' end. We expect to expedite relevant process, and to substitute the current imports and to increase market share.

■ Key raw materials:

The Company's own patented PI functional monomer CBDA is applied to LCD alignment layer PI and colorless PI. Verifications have been completed by Korean and Japanese clients and the volume of shipment is steady, making Daxin one of the major market suppliers. Our patented LCD liquid crystal single has been adopted to liquid crystal mixture product and the shipments continues to be steady. The special monomers with low ionic impurities and functional additives required for advanced wet clean and lithography processes have also been developed and products are currently being verified. This will help to increase the Company's market share in advanced semiconductor process.

(3) Future Market Supply, Demand, and Growth Potential

There has been a rebound in global trade following large-scale financial support from major economies and the popularization of vaccines; nevertheless, this post-pandemic economic recovery is different from past economic recoveries. Though the current economy is strong, unexpected supply chain bottlenecks have surfaced, and problems including inflation and labor shortage continue to loom. In terms of displays, the supply and demand for large-size LCD is regaining normalcy, and non-mainstream applications are experiencing the fastest growth. MicroLED is being developed toward large-size display market, and the Company's investments toward pioneering, high-end LCD materials and niche materials market will continue to yield positive results. For semiconductors, as the Taiwanese semiconductor industry continues to maintain its leadership over advanced process development, it has also driven the need to localize key technologies and special material applications, leading to opportunities for local materials manufacturers to evolve and to produce locally. The Company has partnered with semiconductor clients to develop new materials required for next-gen advanced packaging and advanced process technologies, and the localization policy and our partnership with clients to substitute imports will also continue to drive our operating growth. In terms of key raw materials, besides optimizing our own raw materials to enhance cost competitiveness, we are also committed to producing various high-end chemical products to be used in various formulations by the materials industry, thereby meeting the industry demand for high-quality and specialty key electronic materials. This will also help the Company to grow over the long-run.

(4) Competitive Niches

■ Display materials:

Armed with comprehensive LCD product line and years of production experience, the Company has achieved long-term partnership with major display manufacturers, which helps us to seize new product development opportunities much faster than foreign materials manufacturers. By seizing market trend and technological advancement, we can rapidly adjust product strategies and business model. In addition, by combining our strengths in research and development with diverse core competence, we can lead the market in launching pioneering materials with even higher specifications that meet the needs of next-gen, high-spec displays. Daxin is equipped with upstream key raw materials production capacity, which helps us to maintain competitive advantages among in spite of intense market competition, as well as expand our product applications to new displays, such as the microLED.

■ Semiconductor materials:

Our capabilities of R&D and volume manufacturing for indirect materials of advanced semiconductor packaging have received widespread recognition from both domestic and overseas clients. Therefore, we also joined clients' discussions over their needs for new materials related to next-gen advanced wafer process. Compared with overseas materials manufacturers, in terms of FEOL/BEOL wet chemical products, we have both geographical advantage as well as various local partners for processing equipment. Compared with local material vendors, since most of their raw materials are imported and their products are mostly focused on formulation development, they will not be able to satisfy clients' advanced process development needs such as special molecular structures or ultra-high purity and low-halogen materials on a timely basis. Daxin specializes in chemical synthesis and molecule design, and we have also accumulated years of experience in development, enabling us to quickly respond to ultra-high purity and low-halogen materials required for advanced processes. We can lead the industry in proposing the most advanced material solutions.

■ Key raw materials:

We have been developing electronic chemical products for downstream applications for many years, and we are highly sensitive toward trends and movements in the electronic chemicals market. Our upstream key raw material development relies on early stage simulation and computation of molecule structures as well as synthesis technologies that utilizes in-house design and development. We can provide monomers with even higher purity and special design of molecule structure, and at the same time, we can also expand to potential markets with high-end applications through industry collaboration.

(5) Favorable and Unfavorable Factors of Development Prospects and Countermeasures

A. Favorable factors:

- The core technologies and competitiveness in terms of display products that the Company has built since establishment can be applied to new product development in mini/micro LED and semiconductor industries, as well as to promoting key raw materials for various fields. This flattens the early stage learning curve in new product development, and helps us to continue to improve our ultra-high purity manufacturing capabilities for the advanced semiconductor materials fields.
- Due to IC shortage and geopolitical issues, companies across the world are actively expanding wafer capacity and striving to localize semiconductor production in order to build a self-sustaining local supply chain. Going forward, the semiconductor materials market will continue to grow, and besides developing key raw materials and polymers localized production with our strategic partners, we will also collaborate with key clients to develop advanced process materials to seize more market opportunities. Moreover, the localized semiconductor production policies and goals that countries are promoting are also beneficial to our expansion to European and American markets and helping us to maintain long-term development advantages.

B. Unfavorable Factors and Countermeasures：

- There is a shortage in upstream raw material supply, leading to inflation; moreover, downstream clients are facing pressures to reduce costs from market competition in the display industry. Demand from consumer market is growing, these issues will still pose uncertainties to our long-term operations.

  <u>Countermeasures</u>:

  The Company has seized and continues to improve the manufacturing capability to produce upstream key raw materials in-house and may adopt in display products based on market situation. We were also the first to launch pioneering materials with even higher specifications, which helps to maintain our product competitive advantages among price war. By strategically collaborating with clients, we have also developed new materials required for emerging display technologies (mini/micro LED) in order to fortify and strengthen customer relations.
- The global semiconductor demand continues to be strong, but the unstable supply chain has extended lead-time of equipment required to build high-purity semiconductor production line and the advanced filters required for advanced processes to 9 to 12 months. Potential supply chain instability and shortage also exist for high-purity raw materials and polymer, and labor and material shortage or the inability to build production line on a timely basis may lead to delays in new products manufacturing and shipments, which will negatively impact the Company's reputation.

  <u>Countermeasures</u>:

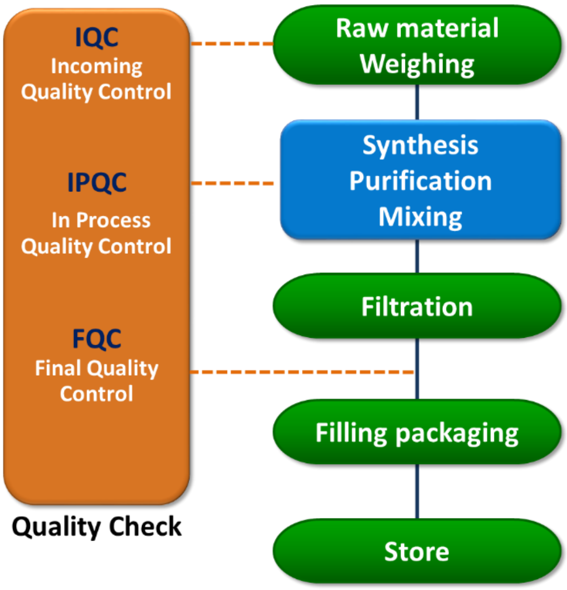
  Early-stage planning for investment on the establishment of multiple production lines, in which modularized design along with standardized production strategy will be adopted to give the production line equipment more flexibility and allowing them to meet the diversity of different production processes. This would also reduce the risk of leaving fixed assets idle as a result of early investment due to extended lead-time. The Company will ensure operational benefits through lean supply management, strengthening sourcing, and strategic collaboration to strengthen price and delivery schedule negotiation ability, as well as market forecast to predict clients' new product production and qualification plans in order to jointly build a reliable and resilient supply chain and to accelerate our market responsiveness with clients, suppliers, and business partners.

5.2.2 Functions and Manufacturing Processes for Main Products

- Important Functions of Main Products

Major Products		Usage and Functions
Photoresist materials	Photo spacer	The major function of photo spacer is to maintain the distance between two pieces of upper and lower glass substrates in a LCD to prevent any changes in the response time due to uneven thickness.
	Black matrix resist	The RGB subpixels are divided from its adjacent subpixel by black matrix in Color Filter process. It also play the role of preventing light leakage from Array metal lines.
Liquid crystal alignment layer PI		It is used to control the liquid crystal orientation and the pre-tilt angle. It ensures that all liquid crystals are aligned in the same direction and provides a pretilt angle for the liquid crystals, allowing the liquid crystal materials to achieve a good response effect.
Liquid crystal materials		Liquid crystal materials are core materials to LCD, they control the quality and the response time of the LCD. By changing the electric field between the upper and lower substrates, the lineup of the liquid crystal molecules can be controlled to achieve different gray scale and expected optical display effects.
Copper etchant		Cu etchant is used in the process of copper patterning, it is used to form functional, special patterned lines on the copper metal between the devices. This etchant needs to control the shape and the width of the etched copper line while also maintaining the smoothness of the etched surface.
Thermal overcoat		Used in In-Plane-Switching (IPS) displays, it forms a transparent, smooth coat over the color resists RGB and the black matrix resist, while also enhancing the coating consistency of the photo spacer (PS) in the post process.
Photosensitive passivation and planarization layer		A layer that provides protection and electrical insulation on the thin transistors of flexible OLED and electronic paper display (EPD). It is also used to separate the RGB organic luminescent materials in the subpixel definition layer in the OLED displays.
Binder of anode materials for lithium ion battery		Used in the silicon/graphite system for high-capacity lithium ion batteries; this resin-based, highly binding affinity resin can maintain the structure of the silicon based anode during battery charging and discharging, resulting in higher capacity and good cycle life for the battery.
Organic release layer		Applied in temporary bonding/debonding (TBDB) process of advanced semiconductor packaging. It can easily separate the processed semiconductor device t from its carrier.
Photosensitive dielectrics (Redistribution layer and buffer layer)		The dielectrics of redistribution layers (RDL) used in wafer-level/panel-level advanced packaging process, or as the buffer layers used in advanced wafer process. Its photosensitive property can simplify the patterning process, allowing it to be directly used as a permanent dielectric insulation material.
Temporary protection layer		Used as a temporary, organic protective material used during the post process of silicon wafer. Coated on the wafer to protect device surface from damage during the cutting and grinding process. It can be removed through wet cleaning or dry etching after the process.
Dianhydride		Used in the synthesis of polyimide (PI) and polyamic acid (PAA); its good electrical characteristics help manufacturers to achieve high voltage retention and low DC residual voltage in the liquid crystal alignment materials for LCD applications. Its high transmittance also allows it to be used in the flexible colorless PI substrates.

- Manufacturing Process of Main Products



5.2.3 Supply of Major Raw Materials

Daxin's major products are in photo resist, copper (Cu) etchant, key monomers, and semiconductor fields, and their relevant major raw materials are procured from at least two or more suppliers and we maintain positive partnerships with all suppliers to maintain steady supply. At the same time, we are increasing the ratio of localized raw material sourcing and in-house raw material production in order to shorten material preparation time, reduce inventory risks, and to quickly provide services to customers, while also giving back to the local communities and fulfilling our corporate social responsibility.**List of Major Customers and Suppliers Accounting for 10% or More of Total Sales(Purchases) Amount in the Most Recent Two Years, and Reasons for Increase or Decrease**

(1) Major customers for the past two years:

Unit: NT$ thousands

	2020				2021			
Item	Company Name	Amount	Proportion to Annual Net Sales (%)	Relationship with Issuer	Company Name	Amount	Proportion to Annual Net Sales (%)	Relationship with Issuer
1	AU Optronics Corp.	2,307,659	53.72%	Investments accounted for using equity method	AU Optronics Corp.	2,318,125	51.36%	Investments accounted for using equity method
2	Others	1,988,444	46.28%		Others	2,195,309	48.64%	
-	Net Sales	4,296,103	100.00%		Net Sales	4,513,434	100.00%	

Reasons for increase or decrease: Mostly attributable to changes in product assortment.

(2) Major suppliers for the past two years:

Unit: NT$ thousands

	2020				2021			
Item	Company Name	Amount	Proportion to Annual Net Purchases (%)	Relationship with Issuer	Company Name	Amount	Proportion to Annual Net Purchases (%)	Relationship with Issuer
1	Company A	514,905	23.44%	None	Company A	433,223	18.00%	None
2	Others	1,681,715	76.56%	None	Others	1,973,398	82.00%	None
	Net Purchase	2,196,620	100.00%		Net Purchase	2,406,621	100.00%	

Reasons for increase or decrease: Mostly attributable to changes in product assortment, leading to changes in raw material procurement.

5.2.4 Production for the Past Two Years

Unit：Capacity/Output(KG)；Amount(NT$ thousands)

Year / Output / Major Products	2020			2021		
	Capacity	Output	Amount	Capacity	Output	Amount
Display materials	Note 1	Note 1	1,869,297	Note 1	Note 1	1,941,394
Semiconductor materials and key raw materials	Note 1	Note 1	64,496	Note 1	Note 1	87,521
Total	Note 1	Note 1	1,933,793	Note 1	Note 1	2,028,915

Note 1: Products produced by the Company are customized in line with customers' required specifications and flexibly adjusted to meet customer needs. Our production capacity and "output volume" are not comparable, hence this is not applicable.

5.2.5 Shipments and Operating Revenue for the Past Two Years

Unit：Shipments(KG)；Operating revenue(NT$ thousands)

Year / Shipments & Sales / Major Product	2020				2021			
	Domestic		Overseas		Domestic		Overseas	
	Shipments	Operating revenue	Shipments	Operating revenue	Shipments	Operating revenue	Shipments	Operating revenue
Display materials	40,163,606	2,567,384	4,195,123	1,548,405	38,926,642	2,613,034	6,579,953	1,696,060
Semiconductor materials and key raw materials	544,360	87,636	7,602	92,678	494,397	115,365	7,087	88,975
Total	40,707,966	2,655,020	4,202,725	1,641,083	39,421,039	2,728,399	6,587,040	1,785,035

5.3 Workforce Structure

Unit: Person; %

Year		2020	2021	As of April 30, 2022
Number of Employees	Management	28	31	32
	R&D	183	191	193
	Sales & Marketing	16	16	17
	Manufacturing	134	138	143
	Total	361	376	385
Average Age		34.7	35.1	35.3
Average Years of Services		6.5	6.9	7
Education	Ph.D.	13.6%	11.7%	11.7%
	Master's	37.2%	35.8%	36.4%
	University & College	49.2%	52.5%	51.9%
	High School	0.0%	0.0%	0.0%

5.4 Disbursements for Environmental Protection

During the current fiscal year and as of the date of this Annual Report, Daxin has not incurred any environmental pollution related losses (including any compensation paid and any violations of environmental protection laws or regulations found in the environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the contents of law violated, and the content of the dispositions).

5.5 Human Capital

5.5.1 Employee Benefits, Training and Development, Retirement Policy, and the Status of Labor-management Agreements and Measures for Preserving Employees' Rights and Interests

(1) Employee Benefits

The Company believes that talent is the key to innovation, and is committed to creating a workplace that encourages innovation. The Company has formed an Employee Welfare Committee to provide various benefits. Our current benefit plans:

A. Compensation: Our compensation program includes base salary, performance-based bonuses, and profit sharing based on annual profits.

B. Extra paid days off: Birthday leave, engagement leave, and flexible paid times off.

C. Comprehensive insurance: Besides the legally required labor insurance and national health insurance, we also provide a comprehensive free group insurance including life insurance, casualty insurance, medical insurance, cancer insurance, infectious disease insurance, overseas travel insurance, and more.

D. Employee subsides: The Company provides subsidies for employees to use them flexibly, including marriage, education, birthday, hospitalization and so on. Besides, Daxin cares for employees and offers additional baby bonuses to support family. Employees can receive NT$60,000 for each newborn baby.

E. Comprehensive health management program: We provide free health examinations for new and current employees. For s employees involved in high-risk operations, we arrange special health examinations for them annually. In addition, Daxin has the occupational health nurse at our wellness center to promote health and well-being; on-site health services with doctors are available monthly to provide personalized healthcare management.

F. Employee engagement: We organize various activities, such as holiday celebrations, monthly afternoon tea parties, quarterly birthday celebrations, company trip, Family Days, and corporate volunteering activities. We also encourage employees to exercise regularly by participating in sport clubs and various sports competitions. Daxin has been recognized as “iSports” certified company by the Sports Administration, Ministry of Education since 2018. In 2021, Daxin won third place in the “Cumulative Corporate Score” section of the iSports competition.

G. Convenient on-site services and amenities: We offer employee dormitories (3-month free accommodations for new hires), cafeteria, nursing room, and other services.

(2) Training and Development

The Company is committed to supporting the growth and development of all of its team members. We offer a diverse set of training and development opportunities throughout the year.
Daxin provides the following training programs:

A. New employee:
Each employee will receive basic training and job orientation. In addition, A mentor program is established to support new hires in their assimilation process. We also conduct the first-week questionnaire, first-month, and three-month check-ins to help them feel more engaged and adapted to corporate culture and work requirements.

B. Management:
The management training are tailored to the needs of managers of all levels based on their managerial capabilities and responsibilities to reinforce the management and skills.

C. General/Professional:
We create a work environment that encourages employees to learn and grow continuously by offering courses in various job functions. Training include the general topic, professional and technical training required by different functions within the company. Both internal and external training resources are available for all employees in response to organizational development requirements and goals.

D. Self-learning:
Daxin is committed to cultivating a diverse learning environment and promoting self-learning to encourage employees to learn on their own to further improve their performance and reach their potential.

(3) Retirement Policy

Daxin's retirement policy is set according to the labor standard laws and labor pension practices of various respective regions. All employees participate in the New System, and the company makes monthly reserves of 6% of the employee's monthly salary. Employees may also voluntarily allocate additional pension funds within 6% of their monthly salaries. As of the date of publication of this Annual Report, no employee has retired yet.

(4) Labor-Management Agreements

Daxin values employee opinions and strives to foster a culture of open communication. The company holds quarterly labor-management meetings to provide business updates and invite employees to discuss labor conditions and welfare activities. Several internal communication channels are also established to ensure open and transparent communications for management, subordinates, and peers. Any such reporting will be treated as confidential to the extent permitted by law.

5.5.2 During the current fiscal year and as of the date of this Annual Report, Daxin has not incurred any labor-dispute related losses (including any violations of the Labor Standards Act found in labor inspection, the disposition dates, reference numbers, the articles of law violated, the contents of law violated, and the content of the dispositions).

5.6 Information and Communications Security Management

5.6.1 Information and Communications Security Management Structure, Information and Communications Security Policy, Substantial Management Proposals, and Resources Invested in Information and Communications Security Management

(1) Information and Communications Security Management Structure

- Information Technology Department is responsible for the Company's information security. An Information Officer and several professional IT personnel have been set up at aforesaid department to establish, promote, and implement the information security policy.
- The Company's Auditing Office is in charge of auditing information security risks. An Audit Manager has been set up at the aforesaid department to supervise and audit the status of internal information security implementations. In line with the "Regulations Governing Establishment of Internal Control Systems by Public Companies", the Company has included "control over verifications of information and communications security" into the annual audit plan, and conducts information security audit as scheduled. In case deficiencies are found, the unit being audited will be immediately asked to propose relevant improvement plans and substantive actions. The improvement effectiveness will also be regularly monitored to reduce risks of internal information security.
- Organizational operating model: The Information Technology Department will formulate, promote, and implement the Company's information security policy and to provide personnel training. To introduce and implement the information security policy, all internal departments are required to comply with the information security policy while carrying out internal procedures. The Auditing Office will audit the information security risks. In case deficiencies are found, the unit being audited will be asked to propose relevant, substantive improvement plans. The improvement effectiveness will also be regularly monitored

(2) Information and Communications Security Policy

To strengthen information security management and to build a safe and reliable operating environment so as to ensure the safety of information, systems, equipment, and networks to protect the rights and interests of employees, shareholders, suppliers, and clients and to achieve corporate sustainable management, the Information and Communications Security Policy has been formulated to serve as a reference for implementing various information security measures.

<u>Key policies</u>

- While executing various operations, relevant laws decreed by the competent authority (e.g., intellectual property laws and Personal Data Protection Act) as well as Company regulations, shall be followed.
- Separation of duties shall be taken into consideration when delegating tasks; the scope of responsibilities and obligations shall be clearly defined to prevent unauthorized revisions to or misuse of information.
- All transacting suppliers, contractors, consultants, or clients shall be requested to sign confidentiality agreement as needed based on the nature of the transaction.

- Information security training and advocacy shall be conducted to all internal employees to foster employees' awareness to information security and to improve the level of the Company's information security.
- All employees are responsible for protecting the Company's confidential and sensitive information. Employees are prohibited from coming into contact with or using unauthorized information, or disclosing or announcing such information to employees, suppliers, and other clients not related to the business.
- To prevent computer viruses and malware from affecting the Company's operations, with the exception of legally authorized software, no unauthorized software may be used.
- To prevent attacks from computer viruses and malware, legal antivirus software and firewall shall be purchased and installed, and the virus pattern and software shall be continuously updated.
- A comprehensive backup mechanism shall be established for important information, and a redundancy mechanism shall be set up for important systems.
- The Company shall request for the formulation of business continuity plan (BCP) based on business needs. In addition, the BCP shall be regularly tested to maintain its appropriateness.
- In case an employee violates an information security regulation, the information security liability that she/he shall bear shall be determined by internal procedures.

(3) Substantive Management Proposals

Management Item	Substantive Management Measures
Network Security Management	• Set up enterprise-level firewall to prevent external attacks and intrusions • Formulate Internet access policy and filters to prevent personnel from visiting harmful sites
System Access Control	• Login account and password shall be required for all information systems; the password shall meet the safety policy and be regularly changed • Access rights to application systems shall be set based on positions
Computer and Mainframe Management	• An automatic update system shall be set to automatically dispatch updates to personal computers and mainframes • Antivirus software shall be installed on personal computers and mainframe, and the virus pattern shall be regularly updated • USB storage device cannot be used on personal computers without permission
Mail Security	• Anti-spam system shall be set up • Install multiple antivirus software on email system
Information Backup	• Daily backup of important databases • Daily backup of important data/information
System Reliability Management	• Establish high-availability mechanisms for important information systems • Daily complete backup on application systems and programs
Training and Promotions	• Regularly conduct employee information security training • Strengthen social engineering promotion and training to enhance the information security awareness in employees

(4) Resources Invested in Information and Communications Security Management

Item	Resources Invested
Software/Hardware Upgrades	• Upgraded mail management system, strengthened security updates • Upgraded backup storage equipment • Upgraded antivirus software
Education and Training	• Conducted social engineering training to all employees (rate of completion 100%) • Published 13 promotional articles on information security • Conducted orientation information security training for new employees (rate of completion 100%)
Safety Tests	• Professional information security companies were commissioned to carry out information security inspection and intrusion detection • System vulnerability scanning is carried out on a quarterly basis

5.6.2 Any losses incurred as a result of major information and communications safety incident in the most recent fiscal year and as of the date of this Annual Report, and an estimate of possible expenses that could be incurred currently and in the future and countermeasures being or to be taken shall be disclosed. If a reasonable estimate cannot be made, an explanation shall be provided:

The Company did not experience any major information and communications safety incident in the most recent fiscal year and as of the date of this Annual Report; however, the methods of cyberattacks are continuously changing and there are various vulnerabilities in information products, and the Company will continue to strengthen management, operation, system and equipment, as well as education and training to face various information security threats.

5.7 Important Contracts Still Effective as of the Publication Date of the Annual Report and Those That Expired in the Most Recent Fiscal Year

Type of Contract	Counterparty	Contract Period	Major Contents	Restrictions
Lease contract	Central Taiwan Science Park, Ministry of Science and Technology	2008.03.01-2027.12.31	Land lease for Central Taiwan Science Park	None
Lease contract	Chungkang Branch, Export Processing Zone Administration, MOEA	2017.12.01-2027.11.30	Land lease for new plant at Taichung Port	Compliance with the investment proposal approved by the Export Processing Zone Administration, MOEA
Insurance	Euler Hermes SA, Taiwan Branch	2021.05.31-2022.05.31	Accounts receivable insurance	None
Insurance	Fubon Insurance Co., Ltd.	2021.06.30-2022.06.30	Commercial fire insurance	None
Insurance	Insurance Company of North America, Taiwan Branch	2021.10.21-2022.10.21	Directors & officers liability insurance	None
Insurance	Chung Kuo Insurance Co., Ltd.	2021.07.18-2022.07.18	General liability insurance & pollution legal liability insurance	None
Insurance	Shinkong Insurance Co., Ltd.	2020.03.16-2022.03.31	Contractors' all risks insurance	None
Insurance	China Pacific Property Insurance Co., Ltd. Suzhou Branch	2021.07.27-2022.07.26	Public liability insurance	None
Financing	Mega International Commercial Bank Co., Ltd.	2020.09.09-2025.09.09	Replenish mid-term working capital	None
Financing	E.Sun Bank	2020.08.07-2025.08.07	Plant construction and acquisition of machinery and equipment	None
Engineering	Ingenious Engineering Corp.	As per contract agreement	Mechatronic engineering contract	None
Sale/ purchase	Ingenious Engineering Corp.	As per contract agreement	Purchase contract for mechatronic engineering equipment	None

Chapter 6 Financial Highlights

6.1 Condensed Financial Summary for the Most Five Recent Years

6.1.1 Condensed Balance Sheet

(1) Consolidated Financial Statements

Unit: NT$ thousands

Item \ Year		2017	2018	2019	2020	2021	2022 Q1
Current assets		2,187,145	2,545,814	2,507,008	2,782,061	2,871,798	3,086,063
Property, plant and equipment		1,266,083	1,326,349	1,350,474	1,354,262	1,574,842	1,564,734
Right-of-use assets		0	0	200,405	189,502	180,150	179,479
Intangible assets		4,515	3,174	2,776	3,352	2,792	2,949
Other assets		18,613	15,812	17,741	19,992	19,976	21,135
Total assets		3,476,356	3,891,149	4,078,404	4,349,169	4,649,558	4,854,360
Current liabilities	Before distribution	1,127,034	1,244,981	1,101,823	1,105,387	1,207,031	1,259,512
	After distribution	1,453,857	1,758,561	1,615,403	1,618,967	(Note 1)	(Note 2)
Non-current liabilities		32,195	321	193,895	343,374	375,308	364,220
Total liabilities	Before distribution	1,159,229	1,245,302	1,295,718	1,448,761	1,582,339	1,623,732
	After distribution	1,486,052	1,758,882	1,809,298	1,962,341	(Note 1)	(Note 2)
Equity attributable to shareholders of the parent		2,317,127	2,645,847	2,782,686	2,900,408	3,067,219	3,230,628
Capital stock		933,781	1,027,159	1,027,159	1,027,159	1,027,159	1,027,159
Capital surplus		41,814	41,814	41,814	41,814	41,814	41,814
Retained earnings	Before distribution	1,342,821	1,578,155	1,714,996	1,832,720	1,999,550	2,162,959
	After distribution	922,620	1,064,575	1,201,416	1,319,140	(Note 1)	(Note 2)
Other equity interest		(1,289)	(1,281)	(1,283)	(1,285)	(1,304)	(1,304)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		0	0	0	0	0	0
Total equity	Before distribution	2,317,127	2,645,847	2,782,686	2,900,408	3,067,219	3,230,628
	After Distribution	1,990,304	2,132,267	2,269,106	2,386,828	(Note 1)	(Note 2)

Source: Consolidated Financial Statement. Audited or reviewed by the CPAs.

Note 1: As of the date of this Annual Report, the Annual Shareholders' Meeting has yet to approve a resolution regarding the 2021 earnings distribution.

Note 2: Not applicable.

(2) Parent Company Only Financial Statements

Unit: NT$ thousands

Item \ Year		2017	2018	2019	2020	2021
Current assets		2,186,987	2,545,648	2,506,844	2,781,899	2,871,655
Long-term investments		158	166	164	162	143
Property, plant and equipment		1,266,083	1,326,349	1,350,474	1,354,262	1,574,842
Right-of-use assets		0	0	200,405	189,502	180,150
Intangible assets		4,515	3,174	2,776	3,352	2,792
Other assets		18,613	15,812	17,741	19,992	19,976
Total assets		3,476,356	3,891,149	4,078,404	4,349,169	4,649,558
Current liabilities	Before distribution	1,127,034	1,244,981	1,101,823	1,105,387	1,207,031
	After distribution	1,453,857	1,758,561	1,615,403	1,618,967	(Note)
Non-current liabilities		32,195	321	193,895	343,374	375,308
Total liabilities	Before distribution	1,159,229	1,245,302	1,295,718	1,448,761	1,582,339
	After distribution	1,486,052	1,758,882	1,809,298	1,962,341	(Note)
Capital stock		933,781	1,027,159	1,027,159	1,027,159	1,027,159
Capital surplus		41,814	41,814	41,814	41,814	41,814
Retained earnings	Before distribution	1,342,821	1,578,155	1,714,996	1,832,720	1,999,550
	After distribution	922,620	1,064,575	1,201,416	1,319,140	(Note)
Other equity interest		(1,289)	(1,281)	(1,283)	(1,285)	(1,304)
Treasury stock		0	0	0	0	0
Total equity	Before distribution	2,317,127	2,645,847	2,782,686	2,900,408	3,067,219
	After distribution	1,990,304	2,132,267	2,269,106	2,386,828	(Note)

Source: Parent-Company Only Financial Statements, Audited by the CPAs

Note: As of the date of this Annual Report, the Annual Shareholders' Meeting has yet toapprove a resolution regarding the 2021 earnings distribution.

6.1.2 Condensed Statement of Comprehensive Income

(1) Consolidated Financial Statements

Unit: NT$ thousands

Item \ Year	2017	2018	2019	2020	2021	2022 Q1
Operating revenue	3,917,428	4,412,725	4,530,841	4,296,103	4,513,434	1,196,256
Gross profit	1,155,174	1,488,199	1,572,926	1,538,771	1,610,726	384,463
Operating income	540,863	742,641	752,438	733,386	767,609	166,549
Non-operating income and expenses	(5,326)	12,502	(464)	(11,904)	4,004	12,303
Profit before tax	535,537	755,143	751,974	721,482	771,613	178,852
Net income (loss) from continuing operations	535,537	755,143	751,974	721,482	771,613	178,852
Loss from discontinued operations	0	0	0	0	0	0
Net income for the Year	472,983	655,535	650,421	631,304	680,410	163,409
Other comprehensive income (loss) (net, after tax)	(6)	8	(2)	(2)	(19)	0
Total comprehensive income	472,977	655,543	650,419	631,302	680,391	163,409
Net income attributable to shareholders of the parent	472,977	655,543	650,419	631,302	680,391	163,409
Net income attributable to non-controlling interests	0	0	0	0	0	0
Comprehensive income attributable to shareholders of the parent	472,977	655,543	650,419	631,302	680,391	163,409
Comprehensive income attributable to non-controlling interests	0	0	0	0	0	0
Earnings per share (Note 1)	4.61	6.38	6.33	6.15	6.62	(Note 2)

Source: Consolidated Financial Statements, Audited or reviewed by the CPAs.
Note 1: Earnings per share after retrospective adjustment
Note 2: Not applicable.

(2) Parent Company Only Financial Statements

Unit: NT$ thousands

Year / Item	2017	2018	2019	2020	2021
Operating revenue	3,917,428	4,412,725	4,530,841	4,296,103	4,513,434
Gross profit	1,155,174	1,488,199	1,572,926	1,538,771	1,610,726
Operating income	540,863	742,641	752,438	733,386	767,609
Non-operating income	(5,326)	12,502	(464)	(11,904)	4,004
Profit before tax	535,537	755,143	751,974	721,482	771,613
Net income (loss) from continuing operations	535,537	755,143	751,974	721,482	771,613
Loss from discontinued operations	0	0	0	0	0
Net income for the Year	472,983	655,535	650,421	631,304	680,410
Other comprehensive income (loss) (net, after tax)	(6)	8	(2)	(2)	(19)
Total comprehensive income	472,977	655,543	650,419	631,302	680,391
Earnings per share (Note)	4.61	6.38	6.33	6.15	6.62

Source: Parent-CompanyOnly Financial Statements, Audited by the CPAs.
Note: Earnings per share after rereospective adjustment

6.1.3 The name of CPAs and Audit Opinions for the Most Five Recent Years

Year	Accounting Firm	Name of CPA	Audit Opinion
2017	KPMG Taiwan	CPA Mei-Yu Tseng & CPA Hai-Ning Huang	Unmodified opinion
2018	KPMG Taiwan	CPA Mei-Yu Tseng & CPA Hai-Ning Huang	Unmodified opinion
2019	KPMG Taiwan	CPA Mei-Yu Tseng & CPA Hai-Ning Huang	Unmodified opinion Added “an emphasis of matter ” paragraph
2020	KPMG Taiwan	CPA Mei-Yu Tseng & CPA Hai-Ning Huang	Unmodified opinion
2021	KPMG Taiwan	CPA Chien-Hui Lu, CPA Mei-Yu Tseng	Unmodified opinion

6.2 Financial Analyses for the Most Five Recent Years

6.2.1 Consolidated Financial Ratios

Item	Year	2017	2018	2019	2020	2021	2022 Q1
Financial structure (%)	Debt ratio	33.35	32.00	31.77	33.31	34.03	33.45
	Ratio of long-term capital to property, plant and equipment	185.56	199.51	220.41	239.52	218.60	229.74
Solvency (%)	Current ratio	194.06	204.49	227.53	251.68	237.92	245.02
	Quick ratio	172.69	178.74	199.22	223.10	205.39	208.25
	Interest coverage ratio	389.63	992.00	206.51	172.25	194.97	182.95
Operating performance	Receivable turnover rate (times)	3.02	3.17	3.26	3.33	3.47	3.45
	Average collection days(Note 1)	121	116	112	110	106	106
	Inventory turnover rate (times)	13.66	12.08	10.62	9.64	9.04	8.4
	Payables turnover rate (times)	4.19	4.38	4.95	5.07	4.98	4.94
	Average days for sales (Note 1)	27	31	35	38	41	44
	Property, plant and equipment turnover rate (times)	3.34	3.4	3.39	3.18	3.08	3.05
	Total asset turnover rate (times)	1.18	1.20	1.14	1.02	1.00	1.01
Profitability	Return on assets (%)	14.23	17.81	16.40	15.06	15.19	3.46
	Return on equity (%)	21.30	26.42	23.96	22.22	22.80	5.19
	Ratio of pre-tax income to paid-in capital (%)	57.35	73.52	73.21	70.24	75.12	17.41
	Net Profit margin (%)	12.07	14.86	14.36	14.69	15.08	13.66
	Earnings per share (NT$)	4.61	6.38	6.33	6.15	6.62	1.59
Cash Flow	Cash flow ratio (%)	54.77	61.47	75.71	91.37	65.21	11.61
	Cash flow adequacy ratio (%)	100.02	96.32	112.72	118.39	106.71	108.81
	Cash reinvestment ratio (%)	10.54	11.96	8.05	11.14	5.62	2.89
Leverage	Operating leverage	1.29	1.24	1.27	1.30	1.28	1.32
	Financial leverage	1.00	1.00	1.00	1.01	1.01	1.01
Reasons for changes in financial ratios in the most two recent years (Not required if the deviation is not over 20%): Decreases in cash flow ratio and cash reinvestment ratio: Mainly due to the decrease in net cash inflows from operating activities in 2021.							

Note 1: Dates are unconditionally rounded up.

Note 2: Please refer to Page 86 for calculation formula used in this table.

6.2.2 Parent Company Only Financial Ratios

Item	Year	2017	2018	2019	2020	2021
Financial structure (%)	Debt ratio	33.35	32.00	31.77	33.31	34.03
	Ratio of long-term capital to property, plant and equipment	185.56	199.51	220.41	239.52	218.60
Solvency (%)	Current ratio	194.05	204.47	227.52	251.67	237.91
	Quick ratio	172.68	178.73	199.20	223.08	205.38
	Interest coverage ratio	389.63	992.00	206.51	172.25	194.97
Operating performance	Receivables turnover rate (times)	3.02	3.17	3.26	3.33	3.47
	Average collection days (Note 1)	121	116	112	110	106
	Inventory turnover rate (times)	13.66	12.08	10.62	9.64	9.04
	Payables turnover rate (times)	4.19	4.38	4.95	5.07	4.98
	Average days for sales (Note 1)	27	31	35	38	41
	Property, plant and equipment turnover rate (times)	3.34	3.40	3.39	3.18	3.08
	Total asset turnover rate (times)	1.18	1.20	1.14	1.02	1.00
Profitability	Return on total assets (%)	14.23	17.81	16.40	15.06	15.19
	Return on equity (%)	21.3	26.42	23.96	22.22	22.80
	Ratio of pre-tax income to paid-in capital (%)	57.35	73.52	73.21	70.24	75.12
	Profit margin (%)	12.07	14.86	14.36	14.69	15.08
	Earnings per share (NT$)	4.61	6.38	6.33	6.15	6.62
Cash Flow	Cash flow ratio (%)	54.76	61.47	75.71	91.37	65.21
	Cash flow adequacy ratio (%)	100.04	96.37	112.80	118.43	106.71
	Cash reinvestment ratio (%)	10.54	11.96	8.05	11.14	5.62
Leverage	Operating leverage	1.29	1.24	1.27	1.30	1.28
	Financial leverage	1.00	1.00	1.00	1.01	1.01
Reasons for changes in financial ratios in the most two recent years (Not required if the deviation is not over 20%): Decreases in cash flow ratio and cash reinvestment ratio: Mainly due to the decrease in net cash inflows from operating activities in this period.						

Note 1: Dates are unconditionally rounded up.

Note 2: Please refer to Page 86 for calculation formula used in this table.

Glossary:

1. Financial structure
   (1) Debt ratio = Total liabilities/Total assets
   (2) Ratio of long-term funds 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 - Inventories - Prepaid expenses)/Current liabilities
   (3) Interest coverage ratio = Earnings before interest and taxes/Interest expenses
3. Operating performance
   (1) Receivables turnover rate (including accounts receivable and notes receivable from business activities) = Net sales/Balance of average accounts receivable in each period (including accounts receivable and notes receivable from business activities)
   (2) Average collection days = 365/ Receivables turnover rate
   (3) Inventory turnover rate= Cost of goods sold/Average inventory
   (4) Payables turnover rate (including accounts payable and notes payable from business activities) = Cost of goods sold/Balance of average accounts payable in each period (including accounts payable and notes payable from business activities)
   (5) Average days for sales = 365/Inventory turnover rate
   (6) Property, plant and equipment turnover rate = Net sales/Average net property, plant, and equipment
   (7) Total asset turnover rate = Net sales/Average total assets
4. Profitability
   (1) Return on assets = [Net income + Interest expenses × (1 - Tax rate)]/Average total assets
   (2) Return on equity = Net income/Average total equity
   (3) Profit margin =Net income/Net sales
   (4) Earnings per share = (Net income attributable to shareholders of the parent - Preferred stock dividends)/Weighted average number of shares outstanding
5. Cash Flow
   (1) Cash flow ratio = Net cash flows from operating activities/Current liabilities
   (2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + Inventoryadditions + Cash dividends) for the most recent five years
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends)/(Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital)
6. Leverage
   (1) Operating leverage = (Netsales - Variable operating costs and expenses)/Operating income
   (2) Financial leverage = Operating income/(Operating income - Interest expenses)

6.3 Audit Committee Report for the Most Recent Fiscal Year's Financial Statement:

Please refer to Page 87.

6.4 Consolidated Financial Statements with Independent Auditors' Report for the Most Recent Fiscal Year:

Please refer to Appendix I (pages 96 to 148).

6.5 Parent Company Only Financial Statements with Independent Auditors' Report for the Most Recent Fiscal Year:

Please refer to Appendix II (pages 149 to 201).

6.6 During the Most Recent Fiscal Year and as of the date of this Annual Report, any Financial Difficulties Experienced by the Company and Its Affiliates need to be stated as well as th impact on the Company's Financial Situation need to be outlined:

None.

Daxin Materials Corporation

Audit Committee's Review Report

The Board of Directors of the Company has prepared and submitted the Company’s 2021 Business Report, earnings distribution proposal and Financial Statements (including the parent company only and consolidated financial statements). Among them, Chien-Hui Lu and Mei-Yu Tseng, Certified Public Accounts of KPMG, have audited the Financial Statements (including the parent company only and consolidated financial statements). The aforementioned business report, earnings distribution proposal, and financial statements (including the parent company only and consolidated financial statements) have been reviewed by the Audit Committee and no discrepancy is found. The report is in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and we hereby submit this report.

To

2022 Annual Shareholders’ Meeting of Daxin Materials Corporation

Convener of the Audit Committee: *Xin-Wu Lin*

February 23, 2022

Chapter 7 Review and Analysis of Financial Conditions, Operating Result, and Risk Management

7.1 Financial Conditions

Unit: NT$ thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Current assets	2,871,798	2,782,061	89,737	3.23
Property, plant and equipment	1,574,842	1,354,262	220,580	16.29
Right-of-use assets	180,150	189,502	(9,352)	(4.94)
Intangible assets	2,792	3,352	(560)	(16.71)
Other assets	19,976	19,992	(16)	(0.08)
Total assets	4,649,558	4,349,169	300,389	6.91
Current liabilities	1,207,031	1,105,387	101,644	9.20
Non-current liabilities	375,308	343,374	31,934	9.30
Total liabilities	1,582,339	1,448,761	133,578	9.22
Capital stock	1,027,159	1,027,159	0	-
Capital surplus	41,814	41,814	0	-
Retained earnings	1,999,550	1,832,720	166,830	9.10
Other equity interest	(1,304)	(1,285)	(19)	1.48
Total equity	3,067,219	2,900,408	166,811	5.75
The main reasons and impacts of material changes (with deviation over 20% and amount changes NT$10 million): Not applicable.				

7.2 Operating Result

7.2.1 Operating Result Analysis

Unit: NT$ thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Operating revenue	4,513,434	4,296,103	217,331	5.06
Operating costs	2,902,708	2,757,332	145,376	5.27
Gross Profit	1,610,726	1,538,771	71,955	4.68
Operating expenses	843,117	805,385	37,732	4.68
Operating income	767,609	733,386	34,223	4.67
Non-operating income and expenses	4,004	(11,904)	15,908	(133.64)
Profit Before Tax	771,613	721,482	50,131	6.95
Income tax expenses	91,203	90,178	1,025	1.14
Net income for the Year	680,410	631,304	49,106	7.78
Other comprehensive income	(19)	(2)	(17)	850.00
Total comprehensive income	680,391	631,302	49,089	7.78
The main reasons and impacts of major changes (with deviation changes over 20% amount and changes reaching NT$10 million): The increase in non-operating income and expenses is mainly due to a reduction in foreign exchange loss.				

7.2.2 Estimated Sales Volume and the Basis to the Potential Impact and Response Plans for the Company's Future Finance and Operation:

The Company’s major products are chemical materials for the optoelectronics industry. Based on the sales forecast of current products developing, progress of new products, customers’ product progress and market demand, production capacity planning and business strategies, our company expected that sales volume will continue to grow in the years to come. In terms of financing, we mostly enter into long-term financing arrangements to invest in capital expenditures and no signs of liquidity deficit in the short-run.

7.3 Cash Flow

7.3.1 Changes in Cash Flow

Unit: NT$ thousands

Cash balance 12/31/2020 (1)	Annual net cash flows from operating activities (2)	Annual net cash inflow (outflow) (3)	Cash balance 12/31/2021 (1)+(2)+(3)	Remedy for cash shortfall	
				Investment plan	Financing plan
283,695	787,114	(856,011)	214,798	—	—

(1) Operating activities: Net cash inflow was NT$787,114 thousand, mainly due to operating profits.
(2) Investing activities: Net cash outflow was NT$388,525 thousand, primarily for capital expenditures.
(3) Financing activities: Net cash outflow was NT$467,467 thousand, mostly attributable to distributions of cash dividends.

7.3.2 Remedial Plan for Liquidity Shortfall: As a result of positive operating cash flows, remedial actions are not required.

7.3.3 Cash Liquidity Analysis for the Coming Year:

On the premise of steady and robust cash liquidity, the Company prudently plans and controls relevant cash disbursements related to investment and operations while taking cash balances on accounts, cash flows from operating and investing activities.

7.4 Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year:

The Company's Board of Directors had approved the proposal to construct a new plant at Chungkang in a meeting convened on November 6, 2019, and the total expected investment is NT$550 million. The civil engineering of which has been completed in the third quarter (Q3) of 2021, and the plant is expected to begin mass production in Q3 2022. Relevant funding will come from the Company's own working capital and bank borrowings, and does not pose significant effects on the Company's finance or business.

7.5 Investment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, the Improvement plan, and Investment Plans for Coming Year

7.5.1 Investment Policy:

The Company's management team conducts detailed evaluations on organizational model, market conditions, business development, and financial position based on operating needs and the Company's future strategic developments, so as to understand and stay on top of the business development and financial positions of investment targets at all times, and to provide a basis of consideration to the Company's management team pertaining to investment analysis and decisions.

7.5.2 Main Reasons for Profit or Loss and Remedial Plan:

Unit: NT$ thousands

Investee businesses	%	Recognition of profit or loss of investee in the most recent year	Main reasons for profit or loss	Remedial plan
LS Materials Corporation (LS)	100%	-	It is a research center	(Note 1)
Frontier Materials (Samoa) Corporation	-%	-	(Note 2)	(Note 2)

Note 1: Business suspension procedures were completed as of November 17, 2016.

Note 2: The registration process was completed on August 9, 2017. As of December 31, 2021, the capital was not injected.

7.5.3 Investment Plan for the Coming Year:

As for the Company's investment plan for the coming year, we will engage in external investments based on the needs of future operations and decisions from the management team.

7.6 Risk Analysis and Assessment for the Most Recent Fiscal Year and as of the Date of this Annual Report

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates fluctuation and Inflation

(1) The Impact of Interest Rate Changes

Most of the Company's interest rate risks come from financial investments and bank borrowings with variable interest rates. In terms of asset, the Company's capital allocations are founded on the prudent principle and are mostly stored as bank deposits and government bonds with high liquidity in order to safeguard its safety and maintain liquidity. In terms of borrowings, the Company maintains positive interactions with multiple financial Institutions to obtain more competitive financing terms. Moreover, interest expenses on the operating net profit is a tiny percentage; hence, interest rate changes do not pose material effects on the Company's profit or loss.

(2) The Impact of Foreign Exchange Rate Changes

Most of the Company's exchange rate risks come from cash and cash equivalents and accounts payable and receivables denoted in foreign currencies. Therefore, changes in foreign exchange rate may impact operating revenues measured in foreign currencies or profitability. The Company uses forward exchange agreement (FXA) to hedge against such risks in transactions to reduce the negative impacts of foreign exchange changes on the Company's operating results. In addition, our Finance department is also constantly collecting information on foreign exchange rates to understand the trend of such changes in order to plan and hedge relevant risks.

(3) The Impact of Inflation

According to the Directorate-General of Budget, Accounting and Statistics, the Executive Yuan, R.O.C. (Taiwan), the Consumer Price Index (CPI) annual growth rate is 2.62% as of December 2021, indicating that there is no significant inflation. Hence, inflation should not pose significant impacts on the Company's profit or loss in 2021. The Company closely monitors changes in market prices at all times and also properly adjusts selling prices and raw materials and inventory volume as needed. The Company has not experienced significant impacts from inflation.

7.6.2 The Company's Policy to Engage in High-Risk, Highly Leveraged Investments, Loans to Other Parties, Endorsements, Guarantees, and Derivatives Transactions; The Main Reasons for the Profits/Losses Generated Thereby; And Response Measures to Be Taken in the Future

The Company does not engage in high-risk or highly leveraged investments, nor does the Company provide loans to others or endorsements/guarantees.

The Company engages in derivative transactions for the purpose of hedging against changes in foreign exchange rates of assets denoted in foreign currencies. Such transactions are carried out in accordance with the "Procedures of Engaging in Derivative Transactions". Going forward, the Company will regularly assess and adjust our hedging strategies based on operating status and market changes.

7.6.3 Research and Development(R&D) in the Future, and the R&D Expenses Expected to be Invested

(1) The future R&D plan is as follows:

The Company has the following new product R&D plans for our three major areas:

- Display:
  - Color Filter: Black matrix resist with high resolution and high resistance; black photo spacers, and high resolution photo spacers.
  - Cell: PI alignment layer for 8K, PI alignment layer for curve display, fast response and high-transmittance LC, and PI-less liquid crystal (PI-less LC).
  - Array: Next gen. Cu etchant for 8K.
- Semiconductor:
  - Advanced packaging: Transfer bonding layer, passivation layer, photosensitive dielectrics, and photosensitive dielectrics with low Dk/Df.
  - Advanced process/mature process: High-resolution buffer layer, high-efficiency remover, high-purity special cleaner, bevel sealant, photoresist top coat, and photoresist stripper.
- Key raw materials:
  - Develop functional monomers of PI, liquid crystal molecules, high-resistance black paste, and high-purity chemicals for semiconductor applications such as specialty cross-linkers, high-purity monomers, and functional additives.

(2) Expected R&D Expense

Our R&D team accounts for more than one-half of all Daxin employees, and our annual R&D expenses reach nearly 10% of our revenues. The Company's expected R&D budget is gradually designated based on new product and new technology development, and it continues to grow at certain levels based on operating status. For 2022, we expect to invest another NT$480 Million in R&D; however, this figure will be properly and timely adjusted based on industry environment and the Company's actual business operations so as to secure our competitive advantage.

7.6.4 Effect on the Company's Financial Operations of Changes in Domestic and Foreign Policies and Regulations, and the Company’s Response Measures

The Company’s day-to-day operations comply with all relevant domestic and foreign laws and regulations; in addition, a Legal Office has also been set up to monitor both policy developments and legal changes/updates at home and abroad at all times and to propose response measures on a timely basis. In the most recent year and as of the date of this Annual Report, the Company's finances and business have not been affected by major policies and legal changes at home and abroad.

7.6.5 Effect on the Company's Financial Operations of Changes in Technology and the Industry ,and the Company’s Response Measures

With rapid technological changes and the accelerated market movements in the industry, we expect that downstream products and technologies will continuously change, and we will also continue to face challenges in their market prices. Besides constantly monitoring industry supply/demand, analyzing product market trends and technical changes, and obtaining a timely understanding of the impacts of technology and industry changes on the Company, we also actively seek for technical innovations and to develop new products by collaborating with customers and related professional institutions. Daxin continuously enhances R&D skills and actively expands future market applications to expand the uses of our products in response to the effects of technical and industry changes on the Company.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company’s Response Measures

The Company has held true to a management principle founded on professionalism and integrity from the beginning. We also focus on corporate image and risk control in order to achieve employee cohesion and customers recognition. There have been no corporate crisis as a result of changes in corporate image in the most recent fiscal year and as of the date of this Annual Report.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

The Company has no plan to acquire other companies in the most recent year and as of the publication date of the Annual Report.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

The Company engages in prudent and moderate benefits analysis for all factory expansion plans; in addition, we are also committed to strengthening internal management and enhancing overall management performance to address all possible changes.

7.6.9 Risks Associated With Any Concentration of Sales or Procurement, and Measures to Be Taken

(1) Purchases:

All suppliers that the Company purchases from are large-scale international chemical engineering companies that the Company has built long-term transactive relations with. We have formed long-term, stable and positive relations with such vendors, and they are also major suppliers to our industry competitors throughout the world; therefore, there has been no abnormality in the Company’s purchases. At the same time, we actively seek for other qualified suppliers, and our raw material procurement strategy is to maintain two or more suppliers for all major raw materials. This shall effectively reduce the risk of concentrated purchases in terms of raw materials; moreover, we have maintained positive partnerships with all suppliers. The quality and delivery timeliness of all suppliers have been good since the Company’s founding, and we have not experienced any shortage or interruption to supply.

Supply chain uncertainties and changes have dramatically increased due to the impact of the COVID-19 pandemic throughout last year, while shipping timeliness has also been greatly affected. To reduce the effect of supply chain changes on the Company, we have resolved to increase inventory volume as a countermeasure. By negotiating with suppliers to prepare for materials and to deliver early, as well as preparing multiple suppliers for a single raw material, we have minimized the effects, and we have not experienced any effects on our output as a result of raw material shortage as of the date of this Annual Report.

(2) Sales

Currently, the majority of Company’s operating revenues come from chemical materials for displays. As the global display industry has developed into an oligopolistic market, major display manufacturers are the Company’s target clients. The Company is equipped with R&D and manufacturing capabilities of specialty chemical materials, which have been expanded to new markets, new customers, and new products in both semiconductor and key raw materials fields. Furthermore, relevant new products have been developed stage by stage, and are being verified and launched by customers respectively. Our sales in semiconductor and key raw materials markets will effectively help the Company to reduce the risk of high customer concentration in the display industry.

7.6.10 Risks Associated with Sales of Significant Numbers of Shares by the Company’s Directors and Major Shareholders Who Own 10% or more of the Company’s Total Outstanding Shares

There were no sales of significant number of shares by the aforementioned persons in the most recent fiscal year and as of the date of this Annual Report.

7.6.11 Risks Associated with the Changes in Management Rights: None

7.6.12 Litigious and non-litigious matters

Disclosure of the fact in dispute, amount in dispute, commencement date, main parties involved, and current status of the case, if there has been any material impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceedings or administrative dispute involving the company that was finalized or remained pending in the most recent fiscal year and as of the date of this Annual Report.

<u>The Company</u>:

On October 4, 2019, the Company has filed for a pay warrant to the Taiwan Taoyuan District Court in regards to the NT$751,947 that Chunghwa Picture Tubes, Ltd. owes the Company. The court has authorized and issued the pay warrant on December 9, 2019, and the Company has immediately filed for a compulsory enforcement and to participate in others creditors’ compulsory distributions. The assets of Chunghwa Picture Tubes, Ltd. are gradually being valued and auctioned. Currently, the Company has been paid NT$799 from the distribution of the proceeds derived from the compulsory enforcement.

Except for the aforementioned incident, the Company has not had any other pending or ongoing litigious and non-litigious matters, or administrative disputes, in the most recent fiscal years and as the date of this Annual Report.

<u>Directors, General Manager, de facto person in charge, shareholders with 10% or more share ownership, or affiliated companies</u>：None.

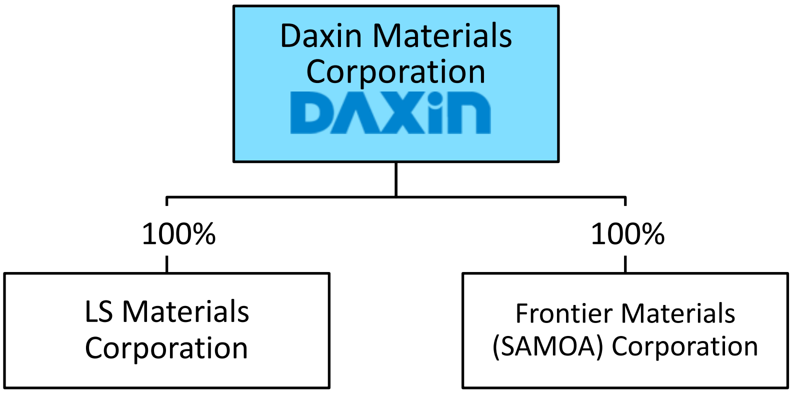
7.6.13 Other Important Risks and Mitigation Measures: None.

7.7 Other Important Matters: None.

Chapter 8　Special Disclosure

8.1　Information about Affiliates

8.1.1　Organization Chart of Affiliates



8.1.2　Basic Information of Affiliates

December 31, 2021

Name of Affiliate	Date of Incorporation	Address	Paid-in Capital	Major Business Activities
LS Materials Corporation	2010.11.25	5F SANWA　Bldg., 3-24-21, SHIBA, MINATO-KU, TOKYO,105-0014, JAPAN	JPY15,000,000	Research and development, manufacturing, and sales center of chemical materials
Frontier Materials (Samoa) Corporation	2017.08.09	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach road, Apla, Samoa	(Note)	Holding company of affiliate

Note: The registration process was completed on August 9, 2017. As of December 31, 2021, the capital was not injected.

8.1.3　Information on the shareholders of companies presumed to have controlling and subordinate relations: None

8.1.4　Industries Covered by the Operations of the Affiliates:

Industries covered by the operations of the Company’s affiliates mostly include research, design, development, manufacturing, and sales of the following products:

(1) Various photo resist, alignment layer, liquid crystal, and other related chemicals used in the manufacturing process of displays
(2) Overcoat, optical clear resin and other related chemicals for touchscreen display
(3) Cutting fluids, anti-glare and other chemicals used by the energy industry
(4) Dielectrics, adhesives and other related chemicals for the semiconductor industry
(5) Packaging adhesives and other related chemicals for the lighting industry
(6) Specialty chemicals for other electronic products
(7) Chemical composition analysis
(8) Product characteristics test

8.1.5　Information on Directors, Supervisors, and General Managers of Affiliates

Unit: Shares; %
December 31, 2021

Name of Affiliate	Title	Name or Representative	Shareholding	
			Shares	%
LS Materials Corporation	Director	Representative of Daxin Materials Corporation Yen-Chen Liu	1,500	100%
Frontier Materials (Samoa) Corporation	Director	Representative of Daxin Materials Corporation Yen-Chen Liu	-	-

8.1.6 Overview of Operations of Affiliates

Unit: thousands; December 31, 2021

Name of Affiliate	Currency	Capital	Total assets	Total liabilities	Net Worth	Operating revenue	Operating income	Net income (after tax)	Earnings per Share (after tax)
LS Materials Corporation	JPY	15,000	594	0	594	0	0	0	0
Frontier Materials (Samoa) Corporation	USD	-	-	-	-	-	-	-	-

8.2 Consolidated Financial Statement of Affiliates:

Representation Letter

The entities that are required to be included in the combined financial statements of Daxin Materials Corporation as of and for the year ended December 31, 2021 under the Criteria Governing 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, “Consolidated Financial Statements”, as endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Daxin Materials Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Daxin Materials Corporation

Chairman: *Cheng-Yih Lin*

Date: February 23, 2022

8.3 Reports on Affiliates: Not applicable.

8.4 Private Placement of Securities During the Most Recent Fiscal Year and as of the Date of this Annual Report, Shall Disclose the Date of Resolution from the Shareholders' Meeting or Board of Directors Meeting, the Amount of Securities, Basis for Price Setting and Reasonableness, Method for Selecting Specific Persons, Reason for the Necessity of the Private Placement, Object of the Private Placement, Criteria, Quantity of Subscriptions, Relations with the Company, Participation in the Company’s Management, Actual Subscription (or Transfer) Price, any Variance between Actual Price, and Effects of the Private Placement on the Shareholders’ Equity, Completion of Fund Utilization Plan from Placement, Capital Utilization Status of the Private Placement, Progress of Planned Executions, and Realization of Expected Benefits: None

8.5 Holding or Disposal of the company’s Shares by the Subsidiaries During the Most Recent Fiscal Year and as of the Date of this Annual Report: None.

8.6 Other Supplementary Information: None.

8.7 Situations Listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act Which Might Materially Affect Shareholders' Equity or Prices of the Company's Securities Occurring During the Most Recent Fiscal Year and as of the Date of this Annual Report: None.

Appendix I Consolidated Financial Statement for the Most Recent Fiscal Year and Independent Auditors' Report

Independent Auditors’ Report

To the Board of Directors of Daxin Materials Corporation:

Opinion

We have audited the consolidated financial statements of Daxin Materials 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 as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit 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 of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgement, the key audit matters that should be disclosed in this audit report are as follows:

1. Revenue

   Please refer to note 4(13) “Revenue recognition” for accounting policy and note 6(16) “Revenue from contracts with customers” of the consolidated financial statements for further information.

Description of the key audit matter:

Revenue generation is a key operating activity of a company, and the Company's major portion of revenue is composed of related parties' transactions which might have inherently higher risk of fraud. Moreover, revenue recognition is also dependent on the various sales terms in each individual contract with customers to ensure the performance obligation has been satisfied by transferring control over a product to a customer. Consequently, revenue recognition is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding and testing the Company's controls surrounding revenue recognition; understanding the Company's revenue types, its sales terms, related sales agreements and other supporting documents, to assess whether revenue recognition policies are applied appropriately; evaluating the trend of revenue; understanding the nature of related parties' transactions; performing the circularization of related-parties transactions; computer-aided testing sales cut off, on a sampling basis, for transactions incurred within a certain period before or after the balance sheet date to evaluate whether the revenue was recorded in proper period; and assessing the adequacy of the Company' s disclosures of its revenue recognition policy and other related disclosures.

2. Valuation of inventories

Please refer to note 4(8) "The accounting policies on inventory valuation"; note 5 "Uncertainty of accounting estimations and assumptions for inventory valuation", and note 6(5) "The details of related disclosures".

Description of the key audit matter:

Inventories are measured at the lower of cost and net realizable value at the reporting date. Due to rapid product innovation and keen market competition, the Company' products may no longer meet market demand in short time and lead to the rapid fluctuation in the sales demand, as well as the selling price, which may result in product obsolescence and the cost of inventories to be higher than the net realizable value. Therefore, the valuation of inventories has been identified as one of the key audit matters

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included evaluating whether valuation of inventories was accounted by the nature of inventories (the storage life of chemicals); performing sampling tests to verify the accuracy of inventory aging; understanding and testing the Company's controls surrounding inventories obsolescence management; inspecting the calculation mode of net realizable value; sampling the related tickets and supporting documents; evaluating whether valuation of inventories was accounted by in accordance with the Company's accounting policies, as well as the reasonableness of inventory provision policy; and assessing the adequacy of the Company' s disclosures of its inventory valuation policy and other related disclosures.

Other Matter

Daxin Materials 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, interpretation as well as related guidance endorsed 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 the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chien-Hui Lu and Mei-Yu Tseng.

KPMG

Taipei, Taiwan (Republic of China)
Febuary 23, 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 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.

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

DAXIN MATERIALS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 214,798	5	283,695	6
1110	Financial assets at fair value through profit or loss－current (note 6(2))	1,415	-	1,867	-
1136	Financial assets measured at amortized cost－current (note 6(3))	941,335	20	952,569	22
1170	Accounts receivable, net (notes 6(4) and (16))	452,785	10	423,174	10
1180	Accounts receivable due from related parties, net (notes 6(4), (16) and 7)	868,821	18	804,805	18
130X	Inventories (note 6(5))	356,227	8	285,653	7
1470	Other current assets	36,417	1	30,298	1
	Total current assets	2,871,798	62	2,782,061	64
	Non-current assets:				
1535	Financial assets measured at amortized cost－non-current (notes 6(3) and 8)	10,350	-	10,350	-
1600	Property, plant and equipment (note 6(6))	1,574,842	34	1,354,262	31
1755	Right-of-use assets (note 6(7))	180,150	4	189,502	5
1780	Intangible assets (note 6(8))	2,792	-	3,352	-
1840	Deferred tax assets (note 6(13))	8,478	-	8,056	-
1920	Guarantee deposits paid	178	-	328	-
1990	Other non-current assets	970	-	1,258	-
	Total non-current assets	1,777,760	38	1,567,108	36
	Total assets	$ 4,649,558	100	4,349,169	100

	Liabilities and Equity	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current liabilities:				
2120	Financial liabilities at fair value through profit or loss－current (note 6(2))	$ -	-	15	-
2170	Accounts payable	585,416	14	542,580	12
2180	Accounts payable to related parties (note 7)	18,127	-	20,249	1
2201	Payroll and bonus payable	271,643	6	264,063	6
2213	Payable on machinery and equipment	55,708	1	28,168	1
2230	Current tax liabilities	108,884	2	107,527	2
2280	Lease liabilities－current (note 6(11))	8,144	-	8,181	-
2322	Long-term borrowings, current portion (note 6(10))	14,216	-	-	-
2399	Other current liabilities (note 6(16))	144,893	3	134,604	3
		1,207,031	26	1,105,387	25
	Non-Current liabilities:				
2540	Long-term borrowings (note 6(10))	199,284	4	159,200	4
2580	Lease liabilities－non-current (note 6(11))	175,892	4	184,036	4
2645	Guarantee deposits received	132	-	138	-
		375,308	8	343,374	8
	Total liabilities	1,582,339	34	1,448,761	33
	Equity attributable to owners of parent (note 6(14)):				
3110	Ordinary shares	1,027,159	22	1,027,159	24
3200	Capital surplus	41,814	1	41,814	1
	Retained earnings:				
3310	Legal reserve	475,597	10	412,467	9
3320	Special reserve	1,285	-	1,283	-
3350	Unappropriated retained earnings	1,522,668	33	1,418,970	33
		1,999,550	43	1,832,720	42
3410	Exchange differences on translation of foreign financial statements	(1,304)	-	(1,285)	-
	Total equity	3,067,219	66	2,900,408	67
	Total liabilities and equity	$ 4,649,558	100	4,349,169	100

See accompanying notes to consolidated financial statements.

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

DAXIN MATERIALS 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 Common Share)

		2021		2020	
		Amount	%	Amount	%
4000	**Operating revenue** (notes 6(16) and 7)	$ 4,513,434	100	4,296,103	100
5000	**Operating costs** (notes 6(5), (8), (11), (12) and 7)	2,902,708	64	2,757,332	64
	Gross profit from operations	1,610,726	36	1,538,771	36
	Operating expenses (notes 6(4), (8), (11), (12) and 7):				
6100	Selling expenses	209,272	5	197,076	5
6200	Administrative expenses	181,749	4	174,444	4
6300	Research and development expenses	439,994	10	421,905	10
6450	Expected credit losses	12,102	-	11,960	-
	Total operating expenses	843,117	19	805,385	19
		767,609	17	733,386	17
	Non-operating income and expenses (notes 6(11), (18) and 7):				
7020	Other gains and losses	3,280	-	(13,233)	-
7100	Interest income	4,702	-	5,542	-
7510	Interest expense	(3,978)	-	(4,213)	-
		4,004	-	(11,904)	-
	Profit from continuing operations before tax	771,613	17	721,482	17
7950	**Less: Income tax expense** (note 6(13))	91,203	2	90,178	2
	Net income	680,410	15	631,304	15
8300	**Other comprehensive income:**				
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(19)	-	(2)	-
	Components of other comprehensive income that will be reclassified to profit or loss	(19)	-	(2)	-
8300	**Other comprehensive income**	(19)	-	(2)	-
	Total comprehensive income	**$ 680,391**	**15**	**631,302**	**15**
	Earnings per share(NT dollars) (note 6(15))				
9750	Basic earnings per share	**$**	**6.62**		**6.15**
9850	Diluted earnings per share	**$**	**6.59**		**6.10**

See accompanying notes to consolidated financial statements.

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

DAXIN MATERIALS 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)

	Ordinary shares	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Retained earnings: Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity
Balance at January 1, 2020	$ 1,027,159	41,814	347,425	1,281	1,366,290	1,714,996	(1,283)	2,782,686
Profit	-	-	-	-	631,304	631,304	-	631,304
Other comprehensive income	-	-	-	-	-	-	(2)	(2)
Total comprehensive income	-	-	-	-	631,304	631,304	(2)	631,302
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	65,042	-	(65,042)	-	-	-
Special reserve appropriated	-	-	-	2	(2)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(513,580)	(513,580)	-	(513,580)
Balance at December 31, 2020	1,027,159	41,814	412,467	1,283	1,418,970	1,832,720	(1,285)	2,900,408
Profit	-	-	-	-	680,410	680,410	-	680,410
Other comprehensive income	-	-	-	-	-	-	(19)	(19)
Total comprehensive income	-	-	-	-	680,410	680,410	(19)	680,391
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	63,130	-	(63,130)	-	-	-
Special reserve appropriated	-	-	-	2	(2)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(513,580)	(513,580)	-	(513,580)
Balance at December 31, 2021	**$ 1,027,159**	**41,814**	**475,597**	**1,285**	**1,522,668**	**1,999,550**	**(1,304)**	**3,067,219**

See accompanying notes to consolidated financial statements.

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

Daxin Materials Corporation and subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		2021	2020
Cash flows from operating activities:			
Income before income tax	$	771,613	721,482
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expenses		213,147	219,412
Amortization expenses		2,920	2,664
Expected credit losses		12,102	11,960
Net loss (gain) on financial assets or liabilities at fair value through profit or loss		437	(502)
Interest expense		3,978	4,213
Interest income		(4,702)	(5,542)
Loss (gain) on disposal of property, plant and equipment		261	(159)
Provisions for inventory obsolescence and devaluation loss		9,088	17,066
Others		757	157
Changes in operating assets and liabilities:			
Accounts receivable		(41,713)	36,458
Accounts receivable due from related parties		(64,016)	49,005
Inventories		(79,662)	(16,278)
Other current assets		(6,119)	(4,760)
Financial assets measured at amortized cost – current		3	4,928
Accounts payable		42,836	36,463
Accounts payable to related parties		(2,122)	1,334
Other current liabilities		17,847	(2,271)
Cash inflow generated from operations		876,655	1,075,630
Interest received		4,683	5,550
Interest paid		(3,956)	(4,202)
Income taxes paid		(90,268)	(67,014)
Net cash flows from operating activities		787,114	1,009,964
Cash flows from investing activities:			
Disposal of (Acquisition of) financial assets at amortized cost		11,250	(422,550)
Acquisition of property, plant and equipment		(397,853)	(221,211)
Proceeds from disposal of property, plant and equipment		-	159
Decrease in refundable deposits		150	-
Acquisition of intangible assets		(2,360)	(3,240)
Decrease (increase) in other non-current assets		288	(262)
Net cash flows used in investing activities		(388,525)	(647,104)
Cash flows from financing activities:			
Proceeds from short-term borrowings		230,000	665,000
Repayments of short-term borrowings		(230,000)	(715,000)
Proceeds from long-term borrowings		54,300	159,200
Decrease in guarantee deposits received		(6)	(45)
Payment of lease liabilities		(8,181)	(8,060)
Cash dividends paid		(513,580)	(513,580)
Net cash flows used in financing activities		(467,467)	(412,485)
Effect of exchange rate changes on cash and cash equivalents		(19)	(2)
Net decrease in cash and cash equivalents		(68,897)	(49,627)
Cash and cash equivalents at beginning of period		283,695	333,322
Cash and cash equivalents at end of period	$	**214,798**	**283,695**

See accompanying notes to consolidated financial statements.

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

DAXIN MATERIALS 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

Daxin Materials Corporation ("the Company") was incorporated in accordance with the Company Act of the Republic of China in July 12, 2006. The address of its registered office and principle place of business is No.15, Keyuan 1st Rd., Central Taiwan Science Park, Taichung City, Taiwan, R.O.C. The Company's common shares were listed and traded on the Taipei Exchange (TPEx) since May 12, 2011; officially listed on Taiwan Stock Exchange (TWSE) since July 16, 2011, and delisted from the TPEx at the same date.

The Company and its subsidiaries (together referred to as the "Group"), mainly engage in the research, development, production, and sale of LCD display and semiconductor related fine chemicals.

2. Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were approved and authorized for issue by the Board of Directors on Febuary 23, 2022.

3. New standards, amendments and interpretations adopted:

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

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

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

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

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

(2) 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

DAXIN MATERIALS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(3) 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.

(1) Statement of compliance

The 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), 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 the “IFRSs endorsed by the FSC”).

(2) Basis of preparation

A. Basis of measurement

Expect for financial assets at fair value through profit or loss are measured at fair value, the consolidated financial statements have been prepared on a historical cost basis.

B. 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 dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand, unless otherwise noted.

DAXIN MATERIALS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(3) Basis of consolidation

A. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Total profit and loss in a subsidiary is attributed to the shareholders of the Company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Intra group balances and transactions, and any unrealized income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements.

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.

B. List of subsidiaries in the consolidated financial statements:

			Percentage of Ownership	
Name of Investor	**Name of subsidiary**	**Business**	**December 31, 2021**	**December 31, 2020**
Daxin	LS Materials Corporation (LS) (Note 1)	R&D, Manufacturing and sales company of fine chemicals	100%	100%
Daxin	Frontier Materials (Samoa) Corporation (FMSA)	Investing and shareholding	(Note 2)	(Note 2)

Note 1: The business suspension process was completed on November 17, 2016.

Note 2: The registration process was completed on August 9, 2017. As of December 31, 2021, the capital was not injected.

C. Subsidiaries excluded from the consolidated financial statements: None.

(4) Foreign currencies

A. 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 at 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. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss.

DAXIN MATERIALS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

B. Foreign operations

The assets and liabilities of foreign operations are translated into NTD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into NTD at the average rate. Exchange differences are recognized in other comprehensive income.

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 non-controlling 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.

(5) 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 non current:

A. It is expected to be realized, or intends to be sold or consumed, in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within twelve months after the reporting date;

D. Cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

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

A. It is expected to settle in its normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is due to be settled within twelve months after the reporting date;

D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

DAXIN MATERIALS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(6) 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.

(7) 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. For an item not at fair value through profit or loss (FVTPL), the financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost and FVTPL. Financial assets shall not be reclassified subsequently 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.

(a) 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;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal.

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.

(b) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or fair value through other comprehensive income (FVOCI) described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses therein are recognized in profit or loss.

(c) 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, accounts receivable, guarantee deposits and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured by 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 is always measured at an amount equal to lifetime ECL. Lifetime ECL are the ECL 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.

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.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 365 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

ECLs are probability weighted estimate of credit losses over the expected life of financial assets. 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. ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is “credit impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. An 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 365 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 assets.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. For corporate customers, 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 amount due.

(d) 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.

DAXIN MATERIALS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

B. Financial liabilities and equity instruments

(a) 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.

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.

(b) 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.

(c) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. 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.

(d) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

C. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures.

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

DAXIN MATERIALS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted average cost method and includes expenditure incurred in acquiring the inventories, production or conversion cost, 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 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 necessary to make the sale.

(9) Property, plant and equipment

A. Recognition and measurement

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

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

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

B. Subsequent cost

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

C. 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.

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

(a) Buildings and improvements: 5~25 years

(b) Machinery and equipment: 5 years

(c) Research and development equipment: 5 years

(d) Office and other equipment: 3~5 years

Buildings constitute mainly building, mechanical and electrical power equipment, and air-conditioning system and fire protection engineering, etc. Each such part is depreciated based on its useful life of 25 years, 10 years, and 10 years, correspondingly.

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

(10) 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.

A. 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.

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

(a) Fixed payments, including in substance fixed payments;

(b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) Amounts expected to be payable under a residual value guarantee; and

(d) 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:

(a) There is a change in future lease payments arising from the change in an index or a rate; or

(b) There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

(c) 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

(d) There is a change of its assessment on whether it will exercise an extension or termination option; or

(e) There are any lease modifications.

DAXIN MATERIALS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

The Group presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the consolidated balance sheets.

The Group has elected not to recognize right of use assets and lease liabilities for short term leases with a term of 12 months or less, mainly including dormitory, office, and transportation equipment, and leases of low value assets, including other equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(11) Intangible assets

A. Recognition and measurement

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.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

C. Amortization

Amortization is calculated and recognized in profit or loss on a straight-line basis over 1 to 5 years for computer software packages.

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

(12) 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 cash generating units ("CGUs").

The recoverable amount of an asset or a cash generating unit ("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 a CGU.

An impairment loss is recognized if the carrying amount of an asset or a 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 for the assets in prior years.

(13) Revenue recognition

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

A. Sale of goods

The Group engages mainly in the research, development, production, design, and sales of LCD display related fine chemicals. 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 when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

B. Government grants

The Group will comply with the conditions associated with the grant, and a government grant that becomes receivable as compensation for expenses already incurred is recognized in profit and loss on a systematic basis in the periods in which the expenses are recognized.

C. 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.

(14) Employee Benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

B. Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to make such payments as a result of past service provided by the employee and the obligation can be estimated reliably.

(15) Income tax

Income taxes comprise current taxes and deferred taxes. Except for items related to business combinations, or items recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

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 and it is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

A. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(a) the same taxable entity; or

(b) 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.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(16) 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. The Group's potential diluted ordinary share includes employee stock option certificates and employee remuneration that has not been resolved by the board of directors and could to be settled in the form of shares.

(17) Operating segment

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.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimations 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 the accounting estimates during the period and the impact of those changes in the following period.

The Group determines the lease term as the non-cancellable period of the lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably not to exercise that option. In assessing whether a lessee is reasonably to exercise the options, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee. The Group reassesses whether it is reasonably certain to exercise an extension option or not to exercise the option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. If there is a change in the lease term, the Group recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Please refer to note 6(11).

Inventories are measured at the lower of cost or net realizable value. The product/ technology renovation may lead to significant changes in the product demand so that existing products may no longer meet market expectations. Therefore, there would be violent fluctuations in the demand and selling price of those products, and result in the risk incurred to the cost of inventories higher than net realizable value. For the uncertainties of assumptions and estimates, please refer to note 6(5) for related significant risk disclosures that will cause a significant adjustment within 12 months.

The Group’s accounting policies and disclosures include the fair value measurement for financial, non-financial assets and liabilities. The Group’s finance and accounting departments conduct independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices; also periodically assess valuation models, perform retrospective tests, renew input data together with any other necessary fair value adjustment for the evaluation model in order to ensure the reasonableness of the results of the valuation.

The Group strives to use the observable market inputs when measuring assets and liabilities. The hierarchy of the fair value categorized by the valuation techniques used is as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the Group recognizes the transfer on the reporting date. For the assumption used in fair value measurement, please refer to note 6(19) of the financial instruments.

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6. Explanation of significant accounts:

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand, demand deposits	$ 184,798	133,695
Time deposits	30,000	150,000
	$ 214,798	283,695

Please refer to Note 6(19) for the disclosure of currency risk and sensitivity analysis of the financial instruments of the Group.

(2) Financial Assets and Liabilities at Fair Value through Profit or Loss (“FVTPL”)

	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss:		
Forward exchange contracts	$ 1,415	1,867
Financial liabilities mandatorily measured at fair value through profit or loss:		
Forward exchange contracts	$ -	15

The Group uses derivative instruments to hedge certain currency risk arising from the Group’s operating activities. The Group held the following derivative instruments, which were not qualified for hedging accounting and accounted them as financial assets mandatorily measured at fair value through profit or loss and held for trading financial liabilities.

As of December 31, 2021 and 2020, the Group’s outstanding foreign currency forward contracts were as follows:

	December 31, 2021			
	Contract amount (in thousands)	Currency	Maturity date	Book value
Derivative financial assets:				
Forward exchange contracts sold	$ 10,088	USD to NTD	January 2022~ March 2022	$ 1,415

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	December 31, 2020			
	Contract amount (in thousands)	**Currency**	**Maturity date**	**Book value**
Derivative financial assets:				
Forward exchange contracts sold	$ 5,680	USD to NTD	January 2021~ April 2021	**$ 1,867**
Derivative financial liabilities:				
Forward exchange contracts sold	$ 2,050	USD to NTD	January 2021~ April 2021	**$ (15)**

(3) Financial assets measured at amortized cost－current and non current

	December 31, 2021	**December 31, 2020**
Time Deposits	$ 951,500	962,750
Others	185	169
Less: Loss allowance	-	-
	$ 951,685	**962,919**
Current	**$ 941,335**	**952,569**
Non current	**$ 10,350**	**10,350**

The Group has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on the principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

A. As of December 31, 2021 and 2020, time deposits held by the Group with annual interest rates ranging from 0.080% to 0.795% and 0.190% to 1.045%, respectively; and will be matured during Jan 2, 2022~ Dec 1, 2022 and Jan 30, 2021~ Nov 30, 2021.

B. For the disclosure of credit risk, please refer to note 6(19).

C. For details of the aforementioned financial assets as performance guarantee, please refer to note 8.

(4) Accounts receivable, net (including related parties)

	December 31, 2021	**December 31, 2020**
Accounts receivable (including related parties) - measured at amortized cost	$ 1,352,713	1,247,298
Less: Allowance for doubtful accounts	(31,107)	(19,319)
	$ 1,321,606	**1,227,979**

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The Group applied 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, accounts receivable has been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. Analysis of expected credit losses (excluding some specific customers) was as follows:

	December 31, 2021		
	Gross amount of accounts receivable	Weighted average loss rate	Credit loss allowance
Current	$ 1,348,994	0%~5%	30,999
1 to 30 days past due	2,658	0%~5%	1
31 to 60 days past due	954	0%~5%	-
More than 365 days past due	107	100%	107
	$ 1,352,713		31,107

	December 31, 2020		
	Gross amount of accounts receivable	Weighted average loss rate	Credit loss allowance
Current	$ 1,233,129	0%~5%	18,877
1 to 30 days past due	13,117	0%~5%	123
31 to 60 days past due	631	0%~5%	-
91 to 180 days past due	107	5%~100%	5
	$ 1,246,984		19,005

Analysis of expected credit losses for specific customers was as follows:

	December 31, 2020		
	Gross amount of accounts receivable	Weighted average loss rate	Credit loss allowance
More than 365 days past due	$ 314	100%	314

The movement of the credit loss allowance for accounts receivable (including related parties) was as follows:

	2021	2020
Balance on January 1	$ 19,319	7,797
Expected credit loss recognized	12,102	11,960
Amounts written off	(314)	(438)
Balance on December 31	$ 31,107	19,319

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Except for those that have been individually identified for impairment losses, the Group has accrued the impairment losses according to credit ratings, the historical default rate and forward-looking information.

Allowance for doubtful accounts is used to record the bad debt losses. However, if the Group is convinced that the relevant receivable may not be recoverable, the allowance for doubtful accounts and financial assets shall be offset directly when it believes that it cannot be recovered.

As of December 31, 2021 and 2020, the Group's accounts receivable was not pledged as collateral.

(5) Inventories

	December 31, 2021	December 31, 2020
Raw materials and supplies	$ 192,631	130,659
Work in progress and semi-finished products	71,072	62,275
Finished goods and merchandise	92,524	92,719
	$ 356,227	285,653

The net of provisions for inventories written down to the net realizable value, which were included in cost of sales, amounted to $9,088 thousand and $17,066 thousand for the years ended December 31, 2021 and 2020, respectively.

For the years ended December 31, 2021 and 2020, the amounts recognized as cost of sales in relation to unallocated fixed production overheads were $0 thousand and $26,000 thousand, respectively.

The amounts recognized as cost of sales in relation to loss on physical inventory were $32 thousand and $109 thousand respectively for the years ended December 31, 2021 and 2020.

As at December 31, 2021 and 2020, none of the Group's inventories was pledged as collateral.

(6) Property, plant and equipment

The movement of cost and depreciation of the property, plant and equipment of the Group was as follows:

	Buildings	Machinery and equipment	R&D equipment	Office and other equipment	Construction in progress and equipment awaiting inspection	Total
Cost:						
Balance at January 1, 2021	$ 1,674,179	645,009	225,845	124,209	91,123	2,760,365
Additions	14,853	58,921	39,493	5,616	306,510	425,393
Disposals	(353)	(5,895)	-	(220)	-	(6,468)
Reclassification and transfer	314	3,770	1,564	572	(6,977)	(757)
Balance at December 31, 2021	$ 1,688,993	701,805	266,902	130,177	390,656	3,178,533

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	Buildings	Machinery and equipment	R&D equipment	Office and other equipment	Construction in progress and equipment awaiting inspection	Total
Balance at January 1, 2020	$ 1,568,281	554,083	221,823	111,731	105,962	2,561,880
Additions	35,279	72,867	8,203	13,099	84,557	214,005
Disposals	-	(7,285)	(5,008)	(3,070)	-	(15,363)
Reclassification and transfer	70,619	25,344	827	2,449	(99,396)	(157)
Balance at December 31, 2020	$ 1,674,179	645,009	225,845	124,209	91,123	2,760,365
Accumulated depreciation:						
Balance at January 1, 2021	$ 695,410	429,228	191,793	89,672	-	1,406,103
Depreciation for the year	104,703	72,350	13,893	12,849	-	203,795
Disposals	(92)	(5,895)	-	(220)	-	(6,207)
Balance at December 31, 2021	$ 800,021	495,683	205,686	102,301	-	1,603,691
Balance at January 1, 2020	$ 578,685	368,201	183,730	80,790	-	1,211,406
Depreciation for the year	116,725	68,312	13,071	11,952	-	210,060
Disposals	-	(7,285)	(5,008)	(3,070)	-	(15,363)
Balance at December 31, 2020	$ 695,410	429,228	191,793	89,672	-	1,406,103
Carrying amounts:						
Balance at December 31, 2021	$ 888,972	206,122	61,216	27,876	390,656	1,574,842
Balance at January 1, 2020	$ 989,596	185,882	38,093	30,941	105,962	1,350,474
Balance at December 31, 2020	$ 978,769	215,781	34,052	34,537	91,123	1,354,262

A. Collateral

The property, plant and equipment of the Group had not been pledged as collateral as of December 31, 2021 and 2020.

B. Construction in progress and equipment awaiting inspection

The Group has carried out equipment augmentation in headquarters and Chungkang branch, and new plant construction projects in Chungkang branch. The incurred but not yet paid amount of construction still in progress and equipment awaiting inspection amounted to $340,190 thousand and $77,135 thousand, respectively, as of December 31, 2021 and 2020.

(7) Right of use assets

The Group leases land, machinery and equipment. The carrying amounts on right of use assets were presented below:

	Land	Machinery and equipment	Total
Cost:			
Balance at December 31, 2021 (as the balance at January 1 2021)	$ 207,493	780	208,273
Balance at January 1, 2020	$ 209,044	780	209,824
Adjustments to lease liabilities	(1,551)	-	(1,551)
Balance at December 31, 2020	$ 207,493	780	208,273
Accumulated depreciation:			
Balance at January 1, 2021	$ 18,303	468	18,771
Depreciation for the year	9,118	234	9,352
Balance at December 31, 2021	$ 27,421	702	28,123
Balance at January 1, 2020	$ 9,185	234	9,419
Depreciation for the year	9,118	234	9,352
Balance at December 31, 2020	$ 18,303	468	18,771
Carrying amount:			
Balance at December 31, 2021	$ 180,072	78	180,150
Balance at January 1, 2020	$ 199,859	546	200,405
Balance at December 31, 2020	$ 189,190	312	189,502

(8) Intangible assets

The cost and amortization of the intangible assets of the Group were as follows:

	Computer software
Cost:	
Balance at January 1, 2021	$ 20,919
Additions	2,360
Balance at December 31, 2021	$ 23,279
Balance at January 1, 2020	17,679
Additions	3,240
Balance at December 31, 2020	$ 20,919

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Amortization:	
Balance at January 1, 2021	17,567
Amortization for the year	2,920
Balance at December 31, 2021	$ 20,487
Balance at January 1, 2020	14,903
Amortization for the year	2,664
Balance at December 31, 2020	$ 17,567
Carrying amounts:	
Balance at December 31, 2021	$ 2,792
Balance at January 1, 2020	$ 2,776
Balance at December 31, 2020	$ 3,352

A. Amortization expenses of intangibles assets

For the years ended December 31, 2021 and 2020, the amortization expenses of intangibles assets recognized in the statements of consolidated comprehensive income as the following items:

	2021	2020
Cost of sales	$ 239	228
Operating expenses	$ 2,681	2,436

B. Collateral

The intangible assets mentioned above were not pledged as collateral as of December 31, 2021 and 2020.

(9) Short-term borrowings

The details of short-term borrowings were as follows:

	December 31, 2021	December 31, 2020
Unused credit lines	$ 608,820	553,960

For the years ended December 31, 2021 and 2020, please refer to note 6(22) for information of drawdown and repayment of short-term borrowings, and note 6(18) for information of interest expenses.

(10) Long-term borrowings

The details of long-term borrowings were as follows:

	December 31, 2021	December 31, 2020
Unsecured borrowings	$ 213,500	159,200
Less: current portion	(14,216)	-
Total	$ 199,284	159,200
Unused credit lines	$ 826,500	880,800
Range of interest rates at the year end	0.5%	0.5%

For the years ended December 31, 2021 and 2020, please refer to note 6(22) for information of drawdown and repayment of long-term borrowings, and note 6(18) for information of interest expenses.

(11) Lease liabilities

The carrying amounts of lease liabilities of the Group were as follows:

	December 31, 2021	December 31, 2020
Current	$ 8,144	8,181
Non-current	$ 175,892	184,036

For the years ended December 31, 2021 and 2020, the Group repaid $8,181 thousand and $8,060 thousand for the principal of lease liabilities.

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	$ 2,827	2,949
Expenses relating to short term leases	$ 3,573	3,933
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 266	296

The amounts recognized in the statement of cash flows were as follows:

	2021	2020
Total cash outflows for leases	$ 14,778	15,300

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A. Land leases

The Group leases lands for its facility and office space. The leases of office space typically run for a period of 10 and 13 years with an option to renew the lease for an additional period after the end of the contract term.

Rent payments of land leases that are based on changes in officially announced land prices and the public facilities construction costs reinvested periodically in each park will be adjusted after being assessed.

B. Other leases

The Group leases the machinery and equipment with lease terms of 5 years.

In addition, the Group has elected not to recognize the right-of-use assets and lease liabilities for its dormitories, offices and carrier vehicles with the lease term of 1 to 2 years, which qualifies as short-term leases and leases of low-value asset.

(12) Employee benefits – Defined contribution plans

The Group contributes at the rate of 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group's contribution to the Bureau of Labor Insurance requires no additional legal or constructive obligations thereafter.

The Group's pension costs incurred from contributions to the defined contribution plan were $17,278 thousand and $16,385 thousand for the years ended December 31, 2021 and 2020, respectively.

(13) Income tax

A. Income tax expense

The components of income tax expenses in 2021 and 2020 were as follows:

	2021	2020
Current tax expense		
Current period	$ 97,029	91,481
Adjustment to prior period	(5,404)	686
	91,625	92,167
Deferred tax benefit		
Origination and reversal of temporary differences	(422)	(1,989)
Income tax expense	**$ 91,203**	**90,178**

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Reconciliations of income tax and income before income tax are as follows:

	2021	2020
Income before income tax	$ 771,613	721,482
Income tax using the Company's domestic tax rate	154,323	144,297
Tax effect of permanent differences	1,264	1,249
Net of tax-exempt income	(18,664)	(22,870)
Investment tax credits	(41,517)	(39,500)
Additional tax on undistributed earnings, net	2,730	3,590
Others	(6,933)	3,412
Income tax expense	**$ 91,203**	**90,178**

B. Deferred tax assets and liabilities

(a) The deferred tax assets have not been recognized in respect of the following items:

	December 31, 2021	December 31, 2020
Investment tax credits	**$ 15,734**	**14,297**

The Group did not recognize the deferred tax assets arising from investment tax credit, which is awaiting to be examined and approved, in relation to "Regulations Governing the Application of Tax Credits for Corporate or Limited Partnership R&D Expenditures" for the years ended December 31, 2021 and 2020.

(b) Recognized deferred tax assets and liabilities

Deferred tax assets:

	January 1, 2020	Recognized in profit or loss	December 31, 2020	Recognized in profit or loss	December 31, 2021
Allowance for doubtful accounts	$ -	(1,369)	1,369	(2,147)	3,516
Allowance for inventory valuation	2,284	1,101	1,183	(356)	1,539
Compensation for unused leave	1,988	(275)	2,263	(145)	2,408
Unrealized exchange losses	1,795	1,096	699	381	318
Deferred revenue	-	(2,542)	2,542	1,845	697
	$ 6,067	**(1,989)**	**8,056**	**(422)**	**8,478**

C. Assessment of tax filings

The Company's income tax returns for the years through 2019 have been examined and approved by the R.O.C. income tax authorities.

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(14) Capital and other equity

As of December 31, 2021 and 2020, the authorized common stock of the Company amounted to $1,500,000 thousand, which was divided into 150,000 thousand shares, with a par value of $10 per share, of which $100,000 thousand was reserved for employee stock options. The issued and outstanding shares of common stock both amounted to $102,716 thousand.

A. Capital surplus

The balances of capital surplus were as follows:

	December 31, 2021	December 31, 2020
Additional paid in capital	$ 29,826	29,826
Employee stock options	10,666	10,666
Compensation cost arising from seasoned equity offering reserved for employees' purchase	1,322	1,322
	$ 41,814	**41,814**

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of share of stock in excess of par value and donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital. Capital surplus derived from the issuance of share of stock in excess of par value could not be capitalized until the fiscal year after the competent authority for company registrations approves registration of the capital increase or whatever other matter generated that portion of capital reserve.

B. Retained earnings

The Company's Articles of Incorporation stipulate that at least 10% of annual net income, after payment of income taxes and offsetting accumulated deficits, shall be set aside until such retention equals the amount of paid-in capital. In addition, a special reserve in accordance with applicable laws and regulations or upon a request for the Company's operations shall also be set aside or reversed. The remaining current-year earnings together with unappropriated earnings from preceding years can be distributed as dividends to stockholders pursuant to the resolutions of the Board of Directors.

The Company's dividend policy is to pay dividends from surplus considering factors such as current and future investment environment, cash requirements, domestic and overseas competitive conditions and capital budget requirements, while taking into account shareholders' interest in the meantime, maintenance of balanced dividend and the Company's long-term financial plan. The cash portion of the dividend, which may be in the form of cash and stock, shall not be less than 10% of the total dividend distributed during the year.

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(a) Legal reserve

Pursuant to the Company Act, if the Company has no accumulated deficit it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

(b) Special reserve

In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from current and prior-year unappropriated earnings. This special reserve shall revert to retained earnings and be made available for distribution when the items that are accounted for as deduction from stockholders' equity are reversed in subsequent periods.

C. Earnings distribution

The resolution of earnings distribution for 2020 had been approved by shareholders through electronic voting on June 14, 2021. Details of earnings distribution for 2020 and 2019 as resolved by general shareholders' meeting on July 20, 2021 and June 19, 2020, respectively, were as follow:

	2020	2019
Dividends distributed to ordinary shareholders:		
Cash (dividends per share were both $5)	$ 513,580	513,580

The aforementioned appropriation of earnings for 2020 and 2019 was consistent with the amount recognized in the financial statements. The aforementioned information is available on the Market Observation Post System website of the TWSE. The appropriation of earnings for 2021, $5.3 per share in cash, proposed by the Board of Directors on February 23, 2022 is to be present for approval in the annual shareholders' meeting. The information relevant to the aforementioned appropriation of earnings will be available on the Market Observation Post System website after the resolution.

D. Other equity — exchange differences on translation of foreign financial statements

	2021	2020
Balance at January 1	$ (1,285)	(1,283)
Net change	(19)	(2)
Balance at December 31	$ (1,304)	(1,285)

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(15) Earnings per Share

		2021	2020
Basic earnings per share			
Net income attributable to the shareholders of the Company	$	680,410	631,304
Weighted average number of ordinary shares outstanding (in thousands of shares)		102,716	102,716
Basic earnings per share (dollar)	$	6.62	6.15
Diluted earnings per share:			
Net income attributable to the shareholders of the Company	$	680,410	631,304
Weighted average number of ordinary shares outstanding (in thousands of shares)		102,716	102,716
Dilutive potential ordinary shares employee remuneration in stock (in thousands of shares)		514	850
Weighted average number of ordinary shares outstanding (in thousands of shares)(diluted)		103,230	103,566
Diluted earnings per share (dollar)	$	6.59	6.10

(16) Revenue from contracts with customers

A. Details of revenues

		2021	2020
Primary geographical markets:			
Taiwan	$	2,728,399	2,655,020
China		1,701,695	1,559,136
Japan		80,413	74,067
Other areas		2,927	7,880
	$	4,513,434	4,296,103
Major product categories			
Display materials	$	4,309,094	4,115,789
Semiconductor materials and key raw materials		204,340	180,314
	$	4,513,434	4,296,103

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B. Contract balances

		December 31, 2021	December 31, 2020	January 1, 2020
Accounts receivable (including related parties)	$	1,352,713	1,247,298	1,333,199
Less: Allowance for doubtful accounts		(31,107)	(19,319)	(7,797)
	$	1,321,606	1,227,979	1,325,402

Please refer to note 6(4) for the disclosure of accounts receivable and allowance for doubtful accounts.

		December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities (recognized in other current liabilities)	$	12,045	4,112	5,458

The major change in the balance of contract liabilities is the advance consideration received from customers for the contracts, in which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2021 and 2020, which was included in the contract liability balance at the beginning of the period, was $4,111 thousand and $5,456 thousand, respectively.

(17) Remuneration to employees and directors

If the Company has a profit (income before tax, excluding remuneration to employees and Directors) for each fiscal year, the Company shall first reserve a sufficient amount to offset its accumulated losses, and then distribute the remaining in accordance with the ratio as follows:

A. No less than 3% as employees' remuneration;

B. No more than 1% as directors' remuneration.

Employees' remuneration may be distributed in the form of shares or cash, and employees qualified to receive the remuneration may include employees of the subsidiaries of the Company meeting certain specific qualifications.

For the years ended December 31, 2021 and 2020, the Company accrued and recognized its employees' remuneration amounting to $63,075 thousand and $58,977 thousand and directors' remuneration amounting to $6,307 thousand and $5,898 thousand (excluding the fixed directors' remuneration amounting to $12,000 thousand and $11,969 thousand), respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the Board of Directors, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

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The amounts as stated in the 2021 and 2020 consolidated financial statements were consistent with those approved in the board of directors' meetings. The relevant information is available on the Market Observation Post System website.

(18) Non-operating income an expenses

A. Interest income

	2021	2020
Interest income on bank deposits	$ 4,702	5,413
Interest income on government bonds with reverse repurchase agreements and others	-	129
	$ 4,702	5,542

B. Other gains and losses

	2021	2020
Gains (losses) on disposals of property, plant and equipment, net	$ (261)	159
Foreign exchange losses	(10,262)	(24,278)
Gains on financial assets (liabilities) measured at fair value through profit or loss	640	6,856
Government grants	12,500	2,682
Others	663	1,348
	$ 3,280	(13,233)

C. Interest expense

	2021	2020
Interest expense on bank borrowings	$ 1,151	1,264
Interest expense on lease liabilities	2,827	2,949
	$ 3,978	4,213

(19) Financial instruments

A. Credit risk

(a) Credit risk exposure

Credit risk is the risk of financial loss to the Group if a counterparty of a financial instrument transaction fails to meet its contractual obligations, and derived primarily from cash and cash equivalents, accounts receivable (including related parties), financial assets measured at amortized cost, and guarantee deposits paid. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

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(b) Concentration of credit risk

As of December 31, 2021 and 2020, 81% and 80%, respectively, of the Group's accounts receivable (including related parties) were from the top 4 customers. There is no other significant concentration of credit risk from the remaining accounts receivable.

(c) Credit risks of receivables and debt securities

For credit risk exposure of accounts receivable, please refer to note 6(4). For the details of financial assets at amortized cost includes, including time deposits, please refer to note 6(3).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Please refer to note 4(7) regarding how the Company determines whether the financial instruments are considered to be low credit risk).

B. Liquidity risk

The following, except for short-term borrowings, accounts payable (including related parties), payroll and bonus payable, and payable on machinery and equipment are the contractual maturities of other financial liabilities and the amounts include estimated interest payments but exclude the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years or more	Over 5 years
December 31, 2021							
Non derivative financial liabilities							
Current and non-current lease liabilities	$ 184,036	(212,901)	(5,464)	(5,384)	(21,537)	(32,306)	(148,210)
Long-term borrowings	213,500	(216,090)	(534)	(14,741)	(57,206)	(143,609)	-
Guarantee deposits received	132	(132)	-	-	(132)	-	-
	$ 397,668	**(429,123)**	**(5,998)**	**(20,125)**	**(78,875)**	**(175,915)**	**(148,210)**

DAXIN MATERIALS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years or more	Over 5 years
December 31, 2020							
Non derivative financial liabilities							
Current and non- current lease liabilities	$ 192,217	(223,910)	(5,504)	(5,504)	(21,617)	(32,306)	(158,979)
Long-term borrowings	159,200	(161,851)	(398)	(398)	(15,004)	(146,051)	-
Guarantee deposits received	138	(138)	-	-	(138)	-	-
Derivative financial liabilities							
Inflows	-	57,565	57,565	-	-	-	-
Outflows	15	(57,580)	(57,580)	-	-	-	-
	$ 351,570	(385,914)	(5,917)	(5,902)	(36,759)	(178,357)	(158,979)

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

C. Currency risk

(a) Exposure to foreign currency risk

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

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary Items						
USD	$ 18,884	27.66	522,325	14,490	28.48	412,687
JPY	26,250	0.2407	6,318	55,413	0.2757	15,276
Non-monetary Items						
USD	10,088	27.66	Note	5,680	28.48	Note
Financial liabilities						
Monetary Items						
USD	747	27.66	20,655	386	28.48	10,989
JPY	29,918	0.2407	7,201	33,103	0.2757	9,127
Non-monetary Items						
USD	-	-	Note	2,050	28.48	Note

Note: The fair value of forward exchange contracts was measured at the reporting date. For related information, please refer to note 6(2).

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(b) 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, accounts receivable, and accounts payables that are denominated in foreign currency. As of December 31, 2021 and 2020, an appreciating (depreciating) of 0.1% of the NTD against the USD and JPY would have increased or decreased the profit from continuing operations before tax by $501 thousand and $408 thousand, respectively while all other variables were remained constant. The analysis was performed on the same basis for comparative periods.

(c) Foreign exchange gain (loss) on monetary items

The Group's foreign exchange gain (loss) arising from translation to the functional currency, including realized and unrealized portions, was as follows:

	2021		2020	
	Foreign exchange gain (loss)	**Average exchange rate**	**Foreign exchange gain (loss)**	**Average exchange rate**
NTD	$ (10,262)	-	(24,278)	-

D. Interest rate analysis

The following sensitivity analysis is based on the exposure to interest rates. 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 had increased or decreased by 0.1%, the Group's profit from continuing operations before tax would have both increased or decreased by $0 thousand, for the years ended December 31, 2021 and 2020, assuming all other variable factors remain constant.

E. Fair value of financial instruments

(a) Fair value hierarchy

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 reasonably approximate the fair value, and lease liabilities, disclosure of fair value information is not required.

	December 31, 2021				
	Carrying amount	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets					
Financial assets measured at fair value through profit or loss — current — derivative financial assets	$ 1,415	-	1,415	-	1,415

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	December 31, 2021				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 214,798	-	-	-	-
Financial assets measured at amortized cost－current	941,335	-	-	-	-
Accounts receivable (including related parties)	1,321,606	-	-	-	-
Financial assets measured at amortized cost－non-current	10,350	-	-	-	-
Guarantee deposits paid	178	-	-	-	-
	$ 2,488,267	-	-	-	-
Financial liabilities					
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	$ 603,543	-	-	-	-
Payroll and bonus payable	271,643	-	-	-	-
Payable on machinery and equipment	55,708	-	-	-	-
Long-term borrowings (including current portion)	213,500	-	-	-	-
Lease liabilities－current and non-current	184,036	-	-	-	-
Guarantee deposits received	132	-	-	-	-
	$ 1,328,562	-	-	-	-

	December 31, 2020				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at fair value through profit or loss － current － derivative financial assets	$ 1,867	-	1,867	-	1,867
Financial assets measured at cost					
Cash and cash equivalents	$ 283,695	-	-	-	-
Financial assets measured at amortized cost－current	952,569	-	-	-	-
Accounts receivable (including related parties)	1,227,979	-	-	-	-
Financial assets measured at amortized cost－non-current	10,350	-	-	-	-
Guarantee deposits paid	328	-	-	-	-
	$ 2,474,921	-	-	-	-

DAXIN MATERIALS CORPORATION AND SUBSIDIARIES

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	December 31, 2020				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial liabilities					
Financial liabilities measured at fair value through profit or loss－current － derivative financial liabilities	**$ 15**	**-**	**15**	**-**	**15**
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	$ 562,829	-	-	-	-
Payroll and bonus payable	264,063	-	-	-	-
Payable on machinery and equipment	28,168	-	-	-	-
Long-term borrowings	159,200	-	-	-	-
Lease liabilities－current and non-current	192,217	-	-	-	-
Guarantee deposits received	138	-	-	-	-
	$ 1,206,615	**-**	**-**	**-**	**-**

(b) Valuation technique for financial instruments not measured at fair value

The Group estimates its financial instruments not measured at fair value using the following methods and assumptions:

Fair value measurement for financial assets and financial liabilities measured at amortized cost will be based on the latest quoted price and concluded price if the quotation provided by market makers or concluded price is available in active markets. When market value is unavailable, the fair value of financial assets and financial liabilities is evaluated based on the discounted cash flow of the financial liabilities.

(c) Valuation technique for fair value of financial instruments measured at fair value － derivative financial instruments

Forward exchange contracts will be generally evaluated based on forward strike rate.

As of December 31, 2021 and 2020, there was no transfer at fair value level.

(20) Financial risk management

A. Overview

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

(a) Credit risk

(b) Liquidity risk

(c) Market risk

In order to reduce and manage related financial risks, the Group is committed to analyzing, identifying and assessing the potential adverse effects of those financial risk factors on the Group's financial performance, and then proposing and implementing corresponding countermeasures to avoid unfavorable factors caused by financial risks.

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

B. Structure of risk management

The Group’s major financial activities are reviewed by the Board of Directors and the audit committee in accordance with relevant regulations and internal control systems. During the execution of the financial projects, the Group must strictly abide by the related financial operation procedures in relation to the overall financial risk management and the division of authority and responsibility. 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.

C. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s receivables from operating activities, financial assets measured at amortized cost, and cash and cash equivalents. Operation-related credit risk and financial credit risk are managed separately.

(a) Operation-related credit risk

The Group has established a credit policy under which each new customer is analyzed individually to maintain the quality of accounts receivable.

The risk assessment for each customer takes into account a number of factors that may affect the customer's solvency, including the customer's financial status, credit rating agencies and the Group’s credit ratings, historical payment records, and current economic situations. If necessary, the Group will make use of credit enhancement instruments, such as payment in advance and credit insurance, to reduce the credit risk from particular customers.

(b) Financial credit risk

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Group's finance department. As the Group deals with banks and financial institutions, and corporate organization with good credit standing which are graded above par level, the Group believes that does not have performance capability issues and no significant credit risk.

D. Liquidity risk

Liquidity risk is the risk that the Group has no sufficient cash and other financial assets to meet its obligations associated with matured financial liabilities. There is no liquidity risk of being unable to raise capital to settle contract obligations since the Group has sufficient capital and working capital to fulfill contract obligations. Please refer to note 6(19).

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, which will affect the Group's income or the value of its holdings of financial instruments. Please refer to note 6(19). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in currencies other than the functional currencies of the Group's entities. These transactions are denominated in NTD, USD, and JPY.

In respect of net positions of accounts receivable denominated in foreign currencies, the Group undertakes forward exchange contacts appropriately. If necessary, the Group can rollover forward exchange contacts when contracts are mature.

(b) Interest rate risk

Please refer to note 6(19).

(21) Capital management

The Group's capital management is to ensure it has necessary and reasonable financial resources to support the future development, and takes the decent debt ratio into account contemporarily so that investors, creditors and the market can rest assured. The management may achieve the purpose of maintaining or adjusting the Group's capital structure by adjusting dividends paid to shareholders, returning capital to shareholders, and issuing new shares. The debt ratio as of December 31, 2021 and 2020 were 34% and 33%, respectively. There were no changes in the Group's approach to capital management during the year ended December 31, 2021.

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Notes to the Consolidated Financial Statements

(22) Investing and financing activities not affecting currect 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:

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities (current and non-current)	Guarantee deposits received	Liabilities arising from financing activities
January 1, 2021	$ -	159,200	192,217	138	351,555
Cash flow					
Proceeds from borrowings	230,000	54,300	-	-	284,300
Repayments of borrowings	(230,000)	-	-	-	(230,000)
Payment of lease liabilities	-	-	(8,181)	-	(8,181)
Interest paid	-	-	(2,827)	-	Note
Guarantee deposits refunded	-	-	-	(6)	(6)
Non-cash changes					
Interest expenses	-	-	2,827	-	Note
December 31, 2021	$ -	213,500	184,036	132	397,668

	Short-term borrowings	Long-term borrowings	Lease liabilities (current and non-current)	Guarantee deposits received	Liabilities arising from financing activities
January 1, 2020	$ 50,000	-	201,828	183	252,011
Cash flow					
Proceeds from borrowings	665,000	159,200	-	-	824,200
Repayments of borrowings	(715,000)	-	-	-	(715,000)
Payment of lease liabilities	-	-	(8,060)	-	(8,060)
Interest paid	-	-	(2,949)	-	Note
Adjustment of right of use asset	-	-	(1,551)	-	(1,551)
Guarantee deposits refunded	-	-	-	(45)	(45)
Non-cash changes					
Interest expenses	-	-	2,949	-	Note
December 31, 2020	$ -	159,200	192,217	138	351,555

Note：It was categorized as operating activities

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7. Related-party transactions:

(1) Names and relationships of related parties

The followings are entities that have had transactions with the Group during the periods covered in the consolidated financial statements:

Names of related parties	Relationship with the Group
Eternal Materials Co., Ltd. (“Eternal”)	The entity with significant influence over the Group
AU Optronics Corp. (“AUTW”)	The entity with significant influence over the Group
AUO Crystal Corp. (“ACTW”)	AUTW’s Subsidiary
AU Optronics (Suzhou) Corp., Ltd. (“AUSZ”)	AUTW’s Subsidiary
AU Optronics (Xiamen) Corp. (“AUXM”)	AUTW’s Subsidiary
AU Optronics (Kunshan) Co., Ltd. (“AUKS”)	AUTW’s Subsidiary
AUO Crystal (Malaysia) Sdn Bhd (“ACMK”)	AUTW’s Subsidiary
Board members, general manager, and vice presidents	The management of the Group

(2) Compensation to key management personnel

Key management personnel compensation comprised of:

	2021	2020
Short-term employee benefits	$ 85,090	87,040
Post-employment benefits	243	324
	$ 85,333	87,364

(3) Significant transactions with related parties

A. Sales

The amounts of significant sales transactions and the outstanding balance of accounts receivable between the Group and related parties were as follows:

	Operating revenue		Accounts receivable due from related parties	
	2021	2020	December 31, 2021	December 31, 2020
The entity with significant influence over the Group－ACTW	$ 2,318,125	2,307,659	853,177	797,622
The entity with significant influence over the Group－Others	54	15	-	-
Other related parties	39,281	21,983	15,644	7,183
	$ 2,357,460	2,329,657	868,821	804,805

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As of December 31, 2021 and 2020, the credit terms for related parties were both 60 to 120 days from the end of the month while those for third parties were collected in advance to 120 days from the end of the month. The selling price for sales to the related parties was determined by market and adjusted according to the sales volume and product specification. The Group did not implement collateral requirements for receivables from related parties, and did not reserve the bad debt allowance for related parties' receivables after appraisal.

B. Purchase and process outsourcing

The amounts of purchases and process outsourcing, and the outstanding balance of accounts payable to related parties were as follows:

	Purchase and process outsourcing		**Accounts payable to related parties**	
	2021	**2020**	**December 31, 2021**	**December 31, 2020**
The entity with significant influence over the Group	$ 75,389	76,341	18,127	20,151

As of December 31, 2021 and 2020, the payment terms to third parties were both 90 days from the end of the month while those to related parties were prepayment to 120 days from the end of the month. The Group did not procure products with the same specification from third parties, so that purchase price between related parties and third parties cannot be compared. The products outsourced to related parties were different from products outsourced to third parties, so the payment terms and purchase prices can't be benchmarked.

C. Transactions of property, plant and equipment

The disposals of property, plant and equipment to related parties were summarized as follows:

	Proceeds from disposal		**Accounts receivable due from related parties**	
	2021	**2020**	**December 31, 2021**	**December 31, 2020**
Other related parties	$ -	159	-	-

For the years ended December 31, 2021 and 2020, the gain on disposal of property, plant and equipment amounted to $0 thousand and $159 thousand, respectively.

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D. Service rendering

The amounts of service rendering, such as inspection fees and administrative expenses, and the outstanding balance of other payable due to related parties were as follows:

	Amount		Accounts payable to related parties	
	2021	**2020**	**December 31, 2021**	**December 31, 2020**
The entity with significant influence over the Group	$ 1,381	752	-	98
Other related parties	50	4	-	-
	$ 1,431	756	-	98

8. Pledged assets:

The carrying values of pledged assets were as follows:

Asset name	Pledge or Mortgage underlying subject	December 31, 2021	December 31, 2020
Time deposits (recognized in financial assets measured at amortized cost－non-current)	Guarantee for the lease contract with the Central Taiwan Science Park Bureau	$ 6,200	6,200
Time deposits (recognized in financial assets measured at amortized cost－non-current)	Guarantee for the investment with the Chungkang Export Processing Zone Bureau	4,150	4,150
		$ 10,350	10,350

9. Commitments and contingencies:

The significant commitments and contingencies of the Group as of December 31, 2021 and 2020, except for note 6(11), were as follows:

(1) As of December 31, 2021 and 2020, a guarantee letter for import tariffs and VAT which the Group requested a bank to issue to the Taipei Customs Administration amounting to $4,000 thousand and $3,000 thousand, respectively.

(2) As of December 31, 2021 and 2020, the significant outstanding commitments for construction and purchase of property, plant and equipment amounted to $142,963 thousand and $356,097 thousand, respectively.

DAXIN MATERIALS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(3) As of December 31, 2021 and 2020, the total amount of promissory notes deposited by the Group at the bank for acquiring borrowings limit and credit line of forward exchange trading was $1,724,768 thousand and $1,707,872 thousand, respectively.

(4) As of December 31, 2021, a promissory note and a guarantee letter issued by a bank to Taiwan Small & Medium Enterprise Counselling Foundation as a guarantee of government subsidies for the research and development project amounted $30,876 thousand and $12,500 thousand, respectively.

10. Losses due to major disasters: None

11. Subsequent events: None

12. Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2021			2020		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	147,031	471,271	618,302	137,176	445,655	582,831
Labor and health insurance	12,616	24,649	37,265	10,768	21,824	32,592
Pension	6,005	11,273	17,278	5,550	10,835	16,385
Others	6,363	12,699	19,062	6,951	15,709	22,660
Depreciation	158,250	54,897	213,147	161,865	57,547	219,412
Amortization	239	2,681	2,920	228	2,436	2,664

DAXIN MATERIALS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

13. Other disclosures:

(1) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

A. Loans to other parties: None.

B. Guarantees and endorsements for other parties: None.

C. Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): None.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

E. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party 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			
The Company	New construction of Chungkang site	Feb. 27, 2020	215,871 (before tax)	194,284 (before tax)	Lee Ming Construction Corporation	Non related party	None	None	None	-	Bidding	Operation	None

F. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	% of total purchases/ sales	Payment terms	Unit price	Payment terms	Ending balance	% of total notes/accounts receivable (payable)	
The Company	AUTW	The company who evaluated the Company by the equity method	(Sales)	2,318,125	51%	120 days from the end of the month	Note 7	Note 7	853,177	65%	

H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	AUTW	The company who evaluated the Company by the equity method	853,177	2.81	32	Collected	206,670	-

Note: The status of receivables collection in subsequent period was as of January 25, 2022.

DAXIN MATERIALS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

I. Trading in derivative instruments: Please refer to notes 6(2).

J. Business relationships and significant intercompany transactions: None.

(2) Information on investees (excluding information on investment in Mainland China):

The following is the information on investees for the years ended December 31, 2021:

(Unit: NTD (JPY) thousand/share)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest % of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	% of ownership	Carrying value				
The Company	LS	Japan	R&D, Manufacturing and sales company of fine chemicals	5,617 (JPY15,000)	5,617 (JPY15,000)	1,500	100.00	143	- %	-	-	Note (1)
The Company	FMSA	Samoa	Investing and shareholding	-	-	-	-	-	- %	-	-	Note (2)

Note (1): The relevant transactions and ending balance were eliminated in the consolidated financial statements.

Note (2): The registration process was completed on August 9, 2017. As of December 31, 2021, the capital was not injected.

(3) Information on investment in Mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information: None.

B. Limitation on investment in Mainland China: None.

C. Significant transactions: None.

(4) Major shareholders:

Shareholding / Shareholder's Name	Shares	Percentage
Eternal Materials Co., Ltd.	23,423,812	22.80%
Konly Venture Corp.	19,113,730	18.61%
Fubon Life Insurance Co. Ltd.	7,528,000	7.33%
Ronly Venture Corp.	6,312,075	6.15%

Note：(1) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total nonphysical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the consolidated financial statements due to the use of different calculation basis.

(2) In the case of the above information, if a shareholder delivers shares to the trust, the shares will be individually disclosed by the trustee who opened the trust account. As for shareholders' declarations of insider's equity holdings exceeding 10% in accordance with the Securities and Exchange Act, their shareholding include their own shareholding, plus the shares delivered to the trust, and the right to use the trust property. For further information on relevant insider shares, please refer to the Market Observation Post System website.

DAXIN MATERIALS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

14. Segment information:

(1) Operating segments

The segment financial information is found in the consolidated financial statements. For the Group's revenue from external customers and profit from continuing operations before tax, please refer to the consolidated statements of comprehensive income. For assets, please refer to the consolidated balance sheets.

(2) Products information

	2021	2020
Display materials	$ 4,309,094	4,115,789
Semiconductor materials and key raw materials	204,340	180,314
	$ 4,513,434	4,296,103

(3) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and non current assets are based on the geographical location of the assets.

Geographical information	2021	2020
Revenue from external customers		
Taiwan	$ 2,728,399	2,655,020
China	1,701,695	1,559,136
Japan	80,413	74,067
Other countries	2,927	7,880
	$ 4,513,434	4,296,103
Non-current assets		
Taiwan	$ 1,758,754	1,548,374

(4) Major customers' information

Sales to individual customers representing greater than 10% of net sales of the Group:

	2021	2020
AUTW	$ 2,318,125	2,307,659

Appendix II Parent Company-Only Financial Statement for the Most Recent Fiscal Year and Independent Auditors' Report

Independent Auditors’ Report

To the Board of Directors of Daxin Materials Corporation:

Opinion

We have audited the parent-company-only financial statements of Daxin Materials Corporation(“the Company”), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgement, the key audit matters that should be disclosed in this audit report are as follows:

1. Revenue

   Please refer to note 4(13) “Revenue recognition” for accounting policy and note 6(17) “Revenue from contracts with customers” of the parent-company-only financial statements for further information.

   Description of the key audit matter:

   Revenue generation is a key operating activity of a company, and the Company’s major portion of revenue is composed of related parties’ transactions which might have inherently higher risk of fraud. Moreover, revenue recognition is also dependent on the various sales terms in each individual contract with customers to ensure the performance obligation has been satisfied by transferring control over a product to a customer. Consequently, revenue recognition is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding and testing the Company's controls surrounding revenue recognition; understanding the Company's revenue types, its sales terms, related sales agreements and other supporting documents, to assess whether revenue recognition policies are applied appropriately; evaluating the trend of revenue; understanding the nature of related parties' transactions; performing the circularization of related-parties transactions; computer-aided testing sales cut off, on a sampling basis, for transactions incurred within a certain period before or after the balance sheet date to evaluate whether the revenue was recorded in proper period; and assessing the adequacy of the Company' s disclosures of its revenue recognition policy and other related disclosures.

2. Valuation of inventories

Please refer to note 4(7) "The accounting policies on inventory valuation"; note 5 "Uncertainty of accounting estimations and assumptions for inventory valuation", and note 6(5) "The details of related disclosures".

Description of the key audit matter:

Inventories are measured at the lower of cost and net realizable value at the reporting date. Due to rapid product innovation and keen market competition, the Company' products may no longer meet market demand in short time and lead to the rapid fluctuation in the sales demand, as well as the selling price, which may result in product obsolescence and the cost of inventories to be higher than the net realizable value. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included evaluating whether valuation of inventories was accounted by the nature of inventories (the storage life of chemicals); performing sampling tests to verify the accuracy of inventory aging; understanding and testing the Company's controls surrounding inventories obsolescence management; inspecting the calculation mode of net realizable value; sampling the related tickets and supporting documents; evaluating whether valuation of inventories was accounted by in accordance with the Company's accounting policies, as well as the reasonableness of inventory provision policy; and assessing the adequacy of the Company' s disclosures of its inventory valuation policy and other related disclosures.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chien-Hui Lu and Mei-Yu Tseng.

KPMG

Taipei, Taiwan (Republic of China)
Febuary 23, 2022

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the 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 parent-company-only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent-company-only 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 parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)

DAXIN MATERIALS CORPORATION

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 214,655	5	283,533	6
1110	Financial assets at fair value through profit or loss－current (note 6(2))	1,415	-	1,867	-
1136	Financial assets measured at amortized cost－current (note 6(3))	941,335	20	952,569	22
1170	Accounts receivable, net (notes 6(4) and (17))	452,785	10	423,174	10
1180	Accounts receivable due from related parties, net (notes 6(4), (17) and 7)	868,821	18	804,805	18
130X	Inventories (note 6(5))	356,227	8	285,653	7
1470	Other current assets	36,417	1	30,298	1
	Total current assets	2,871,655	62	2,781,899	64
	Non-current assets:				
1535	Financial assets measured at amortized cost－non-current (notes 6(3) and 8)	10,350	-	10,350	-
1550	Investments accounted for using equity method (note 6(6))	143	-	162	-
1600	Property, plant and equipment (note 6(7))	1,574,842	34	1,354,262	31
1755	Right-of-use assets (note 6(8))	180,150	4	189,502	5
1780	Intangible assets (note 6(9))	2,792	-	3,352	-
1840	Deferred tax assets (note 6(14))	8,478	-	8,056	-
1920	Guarantee deposits paid	178	-	328	-
1990	Other non-current assets	970	-	1,258	-
	Total non-current assets	1,777,903	38	1,567,270	36
	Total assets	$ 4,649,558	100	4,349,169	100

	Liabilities and Equity	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current liabilities:				
2120	Financial liabilities at fair value through profit or loss－current (note 6(2))	$ -	-	15	-
2170	Accounts payable	585,416	14	542,580	12
2180	Accounts payable to related parties (note 7)	18,127	-	20,249	1
2201	Payroll and bonus payable	271,643	6	264,063	6
2213	Payable on machinery and equipment	55,708	1	28,168	1
2230	Current tax liabilities	108,884	2	107,527	2
2280	Lease liabilities－current (note 6(12))	8,144	-	8,181	-
2322	Long-term borrowings, current portion (note 6(11))	14,216	-	-	-
2399	Other current liabilities (note 6(17))	144,893	3	134,604	3
		1,207,031	26	1,105,387	25
	Non-Current liabilities:				
2540	Long-term borrowings (note 6(11))	199,284	4	159,200	4
2580	Lease liabilities－non-current (note 6(12))	175,892	4	184,036	4
2645	Guarantee deposits received	132	-	138	-
		375,308	8	343,374	8
	Total liabilities	1,582,339	34	1,448,761	33
	Equity (notes 6(15)):				
3110	Ordinary shares	1,027,159	22	1,027,159	24
3200	Capital surplus	41,814	1	41,814	1
	Retained earnings:				
3310	Legal reserve	475,597	10	412,467	9
3320	Special reserve	1,285	-	1,283	-
3350	Unappropriated retained earnings	1,522,668	33	1,418,970	33
		1,999,550	43	1,832,720	42
3410	Exchange differences on translation of foreign financial statements	(1,304)	-	(1,285)	-
	Total equity	3,067,219	66	2,900,408	67
	Total liabilities and equity	$ 4,649,558	100	4,349,169	100

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

DAXIN MATERIALS CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		2021		2020	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue** (notes 6(17) and 7)	$ 4,513,434	100	4,296,103	100
5000	**Operating costs** (notes 6(5), (9), (12), (13) and 7)	2,902,708	64	2,757,332	64
	Gross profit from operations	1,610,726	36	1,538,771	36
	Operating expenses (notes 6(4), (9), (12), (13) and 7):				
6100	Selling expenses	209,272	5	197,076	5
6200	Administrative expenses	181,749	4	174,444	4
6300	Research and development expenses	439,994	10	421,905	10
6450	Expected credit losses	12,102	-	11,960	-
	Total operating expenses	843,117	19	805,385	19
		767,609	17	733,386	17
	Non-operating income and expenses (notes 6(12), (19) and 7):				
7020	Other gains and losses	3,280	-	(13,233)	-
7100	Interest income	4,702	-	5,542	-
7510	Interest expense	(3,978)	-	(4,213)	-
		4,004	-	(11,904)	-
	Profit from continuing operations before tax	771,613	17	721,482	17
7950	**Less: Income tax expense** (note 6(14))	91,203	2	90,178	2
	Net income	680,410	15	631,304	15
8300	**Other comprehensive income:**				
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(19)	-	(2)	-
	Components of other comprehensive income that will be reclassified to profit or loss	(19)	-	(2)	-
8300	**Other comprehensive income**	(19)	-	(2)	-
	Total comprehensive income	**$ 680,391**	**15**	**631,302**	**15**
	Earnings per share (NT dollars) (note 6(16))				
9750	Basic earnings per share	**$ 6.62**		**6.15**	
9850	Diluted earnings per share	**$ 6.59**		**6.10**	

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

DAXIN MATERIALS CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity
Balance at January 1, 2020	$ 1,027,159	41,814	347,425	1,281	1,366,290	1,714,996	(1,283)	2,782,686
Profit	-	-	-	-	631,304	631,304	-	631,304
Other comprehensive income	-	-	-	-	-	-	(2)	(2)
Total comprehensive income	-	-	-	-	631,304	631,304	(2)	631,302
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	65,042	-	(65,042)	-	-	-
Special reserve appropriated	-	-	-	2	(2)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(513,580)	(513,580)	-	(513,580)
Balance at December 31, 2020	1,027,159	41,814	412,467	1,283	1,418,970	1,832,720	(1,285)	2,900,408
Profit	-	-	-	-	680,410	680,410	-	680,410
Other comprehensive income	-	-	-	-	-	-	(19)	(19)
Total comprehensive income	-	-	-	-	680,410	680,410	(19)	680,391
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	63,130	-	(63,130)	-	-	-
Special reserve appropriated	-	-	-	2	(2)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(513,580)	(513,580)	-	(513,580)
Balance at December 31, 2021	**$ 1,027,159**	**41,814**	**475,597**	**1,285**	**1,522,668**	**1,999,550**	**(1,304)**	**3,067,219**

See accompanying notes to parent-company-only financial statements.

(English Translation of the Parent-Company-Only Financial Statements Originally Issued in Chinese)

DAXIN MATERIALS CORPORATION

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		2021	2020
Cash flows from operating activities:			
Income before income tax	$	771,613	721,482
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expenses		213,147	219,412
Amortization expenses		2,920	2,664
Expected credit losses		12,102	11,960
Net loss (gain) on financial assets or liabilities at fair value through profit or loss		437	(502)
Interest expense		3,978	4,213
Interest income		(4,702)	(5,542)
Loss (gain) on disposal of property, plant and equipment		261	(159)
Provisions for inventory obsolescence and devaluation loss		9,088	17,066
Others		757	157
Changes in operating assets and liabilities:			
Accounts receivable		(41,713)	36,458
Accounts receivable due from related parties		(64,016)	49,005
Inventories		(79,662)	(16,278)
Other current assets		(6,119)	(4,760)
Financial assets measured at amortized cost – current		3	4,928
Accounts payable		42,836	36,463
Accounts payable to related parties		(2,122)	1,334
Other current liabilities		17,847	(2,271)
Cash inflow generated from operations		876,655	1,075,630
Interest received		4,683	5,550
Interest paid		(3,956)	(4,202)
Income taxes paid		(90,268)	(67,014)
Net cash flows from operating activities		787,114	1,009,964
Cash flows from investing activities:			
Disposal of (Acquisition of) financial assets at amortized cost		11,250	(422,550)
Acquisition of property, plant and equipment		(397,853)	(221,211)
Proceeds from disposal of property, plant and equipment		-	159
Decrease in refundable deposits		150	-
Acquisition of intangible assets		(2,360)	(3,240)
Decrease (increase) in other non-current assets		288	(262)
Net cash flows used in investing activities		(388,525)	(647,104)
Cash flows from financing activities:			
Proceeds from short-term borrowings		230,000	665,000
Repayments of short-term borrowings		(230,000)	(715,000)
Proceeds from long-term borrowings		54,300	159,200
Decrease in guarantee deposits received		(6)	(45)
Payment of lease liabilities		(8,181)	(8,060)
Cash dividends paid		(513,580)	(513,580)
Net cash flows used in financing activities		(467,467)	(412,485)
Net decrease in cash and cash equivalents		(68,878)	(49,625)
Cash and cash equivalents at beginning of period		283,533	333,158
Cash and cash equivalents at end of period	$	**214,655**	**283,533**

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

DAXIN MATERIALS CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2021 and 2020

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

1. Company history

Daxin Materials Corporation ("the Company") was incorporated in accordance with the Company Act of the Republic of China in July 12, 2006. The address of its registered office and principle place of business is No.15, Keyuan 1st Rd., Central Taiwan Science Park, Taichung City, Taiwan, R.O.C. The Company's common shares were listed and traded on the Taipei Exchange (TPEx) since May 12, 2011; officially listed on Taiwan Stock Exchange (TWSE) since July 16, 2011, and delisted from the TPEx at the same date.

The Company mainly engage in the research, development, production, and sale of LCD display and semiconductor related fine chemicals.

2. Approval date and procedures of the financial statements:

These parent-company-only financial statements were approved and authorized for issue by the Board of Directors on Febuary 23, 2022.

3. New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2021:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-only-company financial statements, from April 1, 2021:

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

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its parent-company-only 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”

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

The Company 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 parent-company-only 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 parent-company-only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent-company-only financial statements.

(1) Statement of compliance

The parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

A. Basis of measurement

Expect for financial assets at fair value through profit or loss are measured at fair value, the parent-company-only financial statements have been prepared on a historical cost basis.

B. Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The parent-company-only financial statements are presented in New Taiwan dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand, unless otherwise noted.

DAXIN MATERIALS CORPORATION

Notes to the Financial Statements

(3) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company 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 at 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. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss.

B. Foreign operations

The assets and liabilities of foreign operations are translated into NTD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into NTD at the average rate. Exchange differences are recognized in other comprehensive income.

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 Company 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 non-controlling interests. When the Company 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.

(4) 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 non current:

A. It is expected to be realized, or intends to be sold or consumed, in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within twelve months after the reporting date;

D. Cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

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

A. It is expected to settle in its normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is due to be settled within twelve months after the reporting date;

D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(5) 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.

(6) Financial instruments

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

A. Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost and FVTPL. Financial assets shall not be reclassified subsequently to their initial recognition unless the Company 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.

(a) 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;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal.

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.

(b) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or fair value through other comprehensive income (FVOCI) described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses therein are recognized in profit or loss.

(c) Impairment of financial assets

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

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured by 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 is always measured at an amount equal to lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

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

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

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

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The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 365 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

ECLs are probability weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. An 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 365 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 assets.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. For corporate customers, the Company 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 Company 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 Company's procedures for recovery of amount due.

(d) Derecognition of financial assets

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

The Company 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.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by the Company 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.

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.

(b) 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.

(c) Derecognition of financial liabilities

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

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.

(d) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

C. Derivative financial instruments

The Company holds derivative financial instruments to hedge risk of foreign currency and interest rate exposures.

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

(7) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted average cost method and includes expenditure incurred in acquiring the inventories, production or conversion cost, 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 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 necessary to make the sale.

(8) Investments in subsidiaries

The Company’s subsidiaries are accounted for using the equity method when preparing their parent-company-only financial statements. Under the equity method, profit, other comprehensive income and equity in the parent-company-only financial statements are equivalent to those of the profit, other comprehensive income and equity which are contributed to the owners of the parent in the consolidated financial statements.

The changes in the parent’ s interest in its subsidiaries that do not result in a loss of control are accounted as equity transactions.

(9) Property, plant and equipment

A. Recognition and measurement

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

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

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

B. Subsequent cost

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

C. 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.

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

(a) Buildings and improvements: 5~25 years

(b) Machinery and equipment: 5 years

(c) Research and development equipment: 5 years

(d) Office and other equipment: 3~5 years

Buildings constitute mainly building, mechanical and electrical power equipment, and air-conditioning system and fire protection engineering, etc. Each such part is depreciated based on its useful life of 25 years, 10 years, and 10 years, correspondingly.

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

(10) Leases

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

A. As a lessee

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

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

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

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

(a) Fixed payments, including in substance fixed payments;

(b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) Amounts expected to be payable under a residual value guarantee; and

(d) 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:

(a) There is a change in future lease payments arising from the change in an index or a rate; or

(b) There is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

(c) 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

(d) There is a change of its assessment on whether it will exercise an extension or termination option; or

(e) There are any lease modifications.

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

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

The Company presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the consolidated balance sheets.

The Company has elected not to recognize right of use assets and lease liabilities for short term leases with a term of 12 months or less, mainly including dormitory, office, and transportation equipment, and leases of low value assets, including other equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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(11) Intangible assets

A. Recognition and measurement

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 Company 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 Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

C. Amortization

Amortization is calculated and recognized in profit or loss on a straight-line basis over 1 to 5 years for computer software packages.

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

(12) Impairment of non financial assets

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

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

The recoverable amount of an asset or a cash generating unit ("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 a CGU.

An impairment loss is recognized if the carrying amount of an asset or a 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 for the assets in prior years.

(13) Revenue recognition

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

A. Sale of goods

The Company engages mainly in the research, development, production, design, and sales of LCD display related fine chemicals. The Company 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 when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

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

B. Government grants

The Company will comply with the conditions associated with the grant, and a government grant that becomes receivable as compensation for expenses already incurred is recognized in profit and loss on a systematic basis in the periods in which the expenses are recognized.

C. Financing components

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

(14) Employee Benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

B. Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to make such payments as a result of past service provided by the employee and the obligation can be estimated reliably.

(15) Income tax

Income taxes comprise current taxes and deferred taxes. Except for items related to business combinations, or items recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

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 and it is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

A. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (a) the same taxable entity; or

   (b) 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.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(16) Earnings per share

The Company 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. The Company’s potential diluted ordinary share includes employee stock option certificates and employee remuneration that has not been resolved by the board of directors and could to be settled in the form of shares.

(17) Operating segment

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent-company-only financial statements.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent-company-only financial statements in conformity with the Regulations to make judgments, estimations 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 the accounting estimates during the period and the impact of those changes in the following period.

The Company determines the lease term as the non-cancellable period of the lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably not to exercise that option. In assessing whether a lessee is reasonably to exercise the options, the Company considers all relevant facts and circumstances that create an economic incentive for the lessee. The Company reassesses whether it is reasonably certain to exercise an extension option or not to exercise the option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. If there is a change in the lease term, the Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Please refer to note 6(12).

Inventories are measured at the lower of cost or net realizable value. The product/ technology renovation may lead to significant changes in the product demand so that existing products may no longer meet market expectations. Therefore, there would be violent fluctuations in the demand and selling price of those products, and result in the risk incurred to the cost of inventories higher than net realizable value. For the uncertainties of assumptions and estimates, please refer to note 6(5) for related significant risk disclosures that will cause a significant adjustment within 12 months.

The Company's accounting policies and disclosures include the fair value measurement for financial, non-financial assets and liabilities. The Company's finance and accounting departments conduct independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices; also periodically assess valuation models, perform retrospective tests, renew input data together with any other necessary fair value adjustment for the evaluation model in order to ensure the reasonableness of the results of the valuation.

The Company strives to use the observable market inputs when measuring assets and liabilities. The hierarchy of the fair value categorized by the valuation techniques used is as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the Company recognizes the transfer on the reporting date. For the assumption used in fair value measurement, please refer to note 6(20) of the financial instruments.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand, demand deposits	$ 184,655	133,533
Time deposits	30,000	150,000
	$ 214,655	283,533

Please refer to Note 6(20) for the disclosure of currency risk and sensitivity analysis of the financial instruments of the Company.

(2) Financial Assets and Liabilities at Fair Value through Profit or Loss ("FVTPL")

	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss:		
Forward exchange contracts	$ 1,415	1,867
Financial liabilities mandatorily measured at fair value through profit or loss:		
Forward exchange contracts	$ -	15

The Company uses derivative instruments to hedge certain currency risk arising from the Company's operating activities. The Company held the following derivative instruments, which were not qualified for hedging accounting and accounted them as financial assets mandatorily measured at fair value through profit or loss and held for trading financial liabilities.

As of December 31, 2021 and 2020, the Company's outstanding foreign currency forward contracts were as follows:

	December 31, 2021			
	Contract amount (in thousands)	**Currency**	**Maturity date**	**Book value**
Derivative financial assets:				
Forward exchange contracts sold	$ 10,088	USD to NTD	January 2022~ March 2022	$ 1,415

	December 31, 2020			
	Contract amount (in thousands)	**Currency**	**Maturity date**	**Book value**
Derivative financial assets:				
Forward exchange contracts sold	$ 5,680	USD to NTD	January 2021~ April 2021	$ 1,867
Derivative financial liabilities:				
Forward exchange contracts sold	$ 2,050	USD to NTD	January 2021~ April 2021	$ (15)

(3) Financial assets measured at amortized cost－current and non current

	December 31, 2021	**December 31, 2020**
Time Deposits	$ 951,500	962,750
Others	185	169
Less: Loss allowance	-	-
	$ 951,685	962,919
Current	$ 941,335	952,569
Non current	$ 10,350	10,350

The Company has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on the principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

A. As of December 31, 2021 and 2020, time deposits held by the Company with annual interest rates ranging from 0.080% to 0.795% and 0.190% to 1.045%, respectively; and will be matured during Jan 2, 2022~ Dec 1, 2022 and Jan 30, 2021~ Nov 30, 2021.

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B. For the disclosure of credit risk, please refer to note 6(20).

C. For details of the aforementioned financial assets as performance guarantee, please refer to note 8.

(4) Accounts receivable, net (including related parties)

		December 31, 2021	December 31, 2020
Accounts receivable (including related parties) - measured at amortized cost	$	1,352,713	1,247,298
Less: Allowance for doubtful accounts		(31,107)	(19,319)
	$	1,321,606	1,227,979

The Company applied 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, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. Analysis of expected credit losses (excluding some specific customers) was as follows:

	December 31, 2021			
		Gross amount of accounts receivable	Weighted average loss rate	Credit loss allowance
Current	$	1,348,994	0%~5%	30,999
1 to 30 days past due		2,658	0%~5%	1
31 to 60 days past due		954	0%~5%	-
More than 365 days past due		107	100%	107
	$	1,352,713		31,107

	December 31, 2020			
		Gross amount of accounts receivable	Weighted average loss rate	Credit loss allowance
Current	$	1,233,129	0%~5%	18,877
1 to 30 days past due		13,117	0%~5%	123
31 to 60 days past due		631	0%~5%	-
91 to 180 days past due		107	5%~100%	5
	$	1,246,984		19,005

Analysis of expected credit losses for specific customers was as follows:

	December 31, 2020			
		Gross amount of accounts receivable	Weighted average loss rate	Credit loss allowance
More than 365 days past due	$	314	100%	314

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The movement of the credit loss allowance for accounts receivable (including related parties) was as follows:

	2021	2020
Balance on January 1	$ 19,319	7,797
Expected credit loss recognized	12,102	11,960
Amounts written off	(314)	(438)
Balance on December 31	$ 31,107	19,319

Except for those that have been individually identified for impairment losses, the Company has accrued the impairment losses according to credit ratings, the historical default rate and forward-looking information.

Allowance for doubtful accounts is used to record the bad debt losses. However, if the Company is convinced that the relevant receivable may not be recoverable, the allowance for doubtful accounts and financial assets shall be offset directly when it believes that it cannot be recovered.

As of December 31, 2021 and 2020, the Company's accounts receivable was not pledged as collateral.

(5) Inventories

	December 31, 2021	December 31, 2020
Raw materials and supplies	$ 192,631	130,659
Work in progress and semi-finished products	71,072	62,275
Finished goods and merchandise	92,524	92,719
	$ 356,227	285,653

The net of provisions for inventories written down to the net realizable value, which were included in cost of sales, amounted to $9,088 thousand and $17,066 thousand for the years ended December 31, 2021 and 2020, respectively.

For the years ended December 31, 2021 and 2020, the amounts recognized as cost of sales in relation to unallocated fixed production overheads were $0 thousand and $26,000 thousand, respectively.

The amounts recognized as cost of sales in relation to loss on physical inventory were $32 thousand and $109 thousand respectively for the years ended December 31, 2021 and 2020.

As at December 31, 2021 and 2020, none of the Company's inventories was pledged as collateral.

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(6) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2021	December 31, 2020
Subsidiary	$ 143	162

A. Subsidiaries

Please refer to the consolidated financial statements for the years ended December 31, 2021 and 2020.

B. Guarantee

The Company did not pledge any investments accounted for using the equity method as collateral.

(7) Property, plant and equipment

The movement of cost and depreciation of the property, plant and equipment of the Company was as follows:

	Buildings	Machinery and equipment	R&D equipment	Office and other equipment	Construction in progress and equipment awaiting inspection	Total
Cost:						
Balance at January 1, 2021	$ 1,674,179	645,009	225,845	124,209	91,123	2,760,365
Additions	14,853	58,921	39,493	5,616	306,510	425,393
Disposals	(353)	(5,895)	-	(220)	-	(6,468)
Reclassification and transfer	314	3,770	1,564	572	(6,977)	(757)
Balance at December 31, 2021	**$ 1,688,993**	**701,805**	**266,902**	**130,177**	**390,656**	**3,178,533**
Balance at January 1, 2020	$ 1,568,281	554,083	221,823	111,731	105,962	2,561,880
Additions	35,279	72,867	8,203	13,099	84,557	214,005
Disposals	-	(7,285)	(5,008)	(3,070)	-	(15,363)
Reclassification and transfer	70,619	25,344	827	2,449	(99,396)	(157)
Balance at December 31, 2020	**$ 1,674,179**	**645,009**	**225,845**	**124,209**	**91,123**	**2,760,365**

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	Buildings	Machinery and equipment	R&D equipment	Office and other equipment	Construction in progress and equipment awaiting inspection	Total
Accumulated depreciation:						
Balance at January 1, 2021	$ 695,410	429,228	191,793	89,672	-	1,406,103
Depreciation for the year	104,703	72,350	13,893	12,849	-	203,795
Disposals	(92)	(5,895)	-	(220)	-	(6,207)
Balance at December 31, 2021	$ 800,021	495,683	205,686	102,301	-	1,603,691
Balance at January 1, 2020	$ 578,685	368,201	183,730	80,790	-	1,211,406
Depreciation for the year	116,725	68,312	13,071	11,952	-	210,060
Disposals	-	(7,285)	(5,008)	(3,070)	-	(15,363)
Balance at December 31, 2020	$ 695,410	429,228	191,793	89,672	-	1,406,103
Carrying amounts:						
Balance at December 31, 2021	$ 888,972	206,122	61,216	27,876	390,656	1,574,842
Balance at January 1, 2020	$ 989,596	185,882	38,093	30,941	105,962	1,350,474
Balance at December 31, 2020	$ 978,769	215,781	34,052	34,537	91,123	1,354,262

A. Collateral

The property, plant and equipment of the Company had not been pledged as collateral as of December 31, 2021 and 2020.

B. Construction in progress and equipment awaiting inspection

The Company has carried out equipment augmentation in headquarters and Chungkang branch, and new plant construction projects in Chungkang branch. The incurred but not yet paid amount of construction still in progress and equipment awaiting inspection amounted to $340,190 thousand and $77,135 thousand, respectively, as of December 31, 2021 and 2020.

(8) Right of use assets

The Company leases land, machinery and equipment. The carrying amounts on right of use assets were presented below:

	Land	Machinery and equipment	Total
Cost:			
Balance at December 31, 2021 (as the balance at January 1 2021)	$ 207,493	780	208,273
Balance at January 1, 2020	$ 209,044	780	209,824
Adjustments to lease liabilities	(1,551)	-	(1,551)
Balance at December 31, 2020	$ 207,493	780	208,273

	Land	Machinery and equipment	Total
Accumulated depreciation:			
Balance at January 1, 2021	$ 18,303	468	18,771
Depreciation for the year	9,118	234	9,352
Balance at December 31, 2021	**$ 27,421**	**702**	**28,123**
Balance at January 1, 2020	$ 9,185	234	9,419
Depreciation for the year	9,118	234	9,352
Balance at December 31, 2020	**$ 18,303**	**468**	**18,771**
Carrying amount:			
Balance at December 31, 2021	**$ 180,072**	**78**	**180,150**
Balance at January 1, 2020	**$ 199,859**	**546**	**200,405**
Balance at December 31, 2020	**$ 189,190**	**312**	**189,502**

(9) Intangible assets

The cost and amortization of the intangible assets of the Company were as follows:

	Computer software
Cost:	
Balance at January 1, 2021	$ 20,919
Additions	2,360
Balance at December 31, 2021	**$ 23,279**
Balance at January 1, 2020	17,679
Additions	3,240
Balance at December 31, 2020	**$ 20,919**
Amortization:	
Balance at January 1, 2021	17,567
Amortization for the year	2,920
Balance at December 31, 2021	**$ 20,487**
Balance at January 1, 2020	14,903
Amortization for the year	2,664
Balance at December 31, 2020	**$ 17,567**
Carrying amounts:	
Balance at December 31, 2021	**$ 2,792**
Balance at January 1, 2020	**$ 2,776**
Balance at December 31, 2020	**$ 3,352**

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Notes to the Financial Statements

A. Amortization expenses of intangibles assets

For the years ended December 31, 2021 and 2020, the amortization expenses of intangibles assets recognized in the statements of comprehensive income as the following items:

	2021	2020
Cost of sales	$ 239	228
Operating expenses	$ 2,681	2,436

B. Collateral

The intangible assets mentioned above were not pledged as collateral as of December 31, 2021 and 2020.

(10) Short-term borrowings

The details of short-term borrowings were as follows:

	December 31, 2021	December 31, 2020
Unused credit lines	$ 608,820	553,960

For the years ended December 31, 2021 and 2020, please refer to note 6(23) for information of drawdown and repayment of short-term borrowings, and note 6(19) for information of interest expenses.

(11) Long-term borrowings

The details of long-term borrowings were as follows:

	December 31, 2021	December 31, 2020
Unsecured borrowings	$ 213,500	159,200
Less: current portion	(14,216)	-
Total	$ 199,284	159,200
Unused credit lines	$ 826,500	880,800
Range of interest rates at the year end	0.5%	0.5%

For the years ended December 31, 2021 and 2020, please refer to note 6(23) for information of drawdown and repayment of long-term borrowings, and note 6(19) for information of interest expenses.

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(12) Lease liabilities

The carrying amounts of lease liabilities of the Company were as follows:

	December 31, 2021	December 31, 2020
Current	$ 8,144	8,181
Non-current	$ 175,892	184,036

For the years ended December 31, 2021 and 2020, the Company repaid $8,181 thousand and $8,060 thousand for the principal of lease liabilities.

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	$ 2,827	2,949
Expenses relating to short term leases	$ 3,573	3,933
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 266	296

The amounts recognized in the statement of cash flows were as follows:

	2021	2020
Total cash outflows for leases	$ 14,778	15,300

A. Land leases

The Company leases lands for its facility and office space. The leases of office space typically run for a period of 10 and 13 years with an option to renew the lease for an additional period after the end of the contract term.

Rent payments of land leases that are based on changes in officially announced land prices and the public facilities construction costs reinvested periodically in each park will be adjusted after being assessed.

B. Other leases

The Company leases the machinery and equipment with lease terms of 5 years.

In addition, the Company has elected not to recognize the right-of-use assets and lease liabilities for its dormitories, offices and carrier vehicles with the lease term of 1 to 2 years, which qualifies as short-term leases and leases of low-value asset.

(13) Employee benefits – Defined contribution plans

The Company contributes at the rate of 6% of each employee’s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company’s contribution to the Bureau of Labor Insurance requires no additional legal or constructive obligations thereafter.

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Notes to the Financial Statements

The Company's pension costs incurred from contributions to the defined contribution plan were $17,278 thousand and $16,385 thousand for the years ended December 31, 2021 and 2020, respectively.

(14) Income tax

A. Income tax expense

The components of income tax expenses in 2021 and 2020 were as follows:

		2021	2020
Current tax expense			
Current period	$	97,029	91,481
Adjustment to prior period		(5,404)	686
		91,625	92,167
Deferred tax benefit:			
Origination and reversal of temporary differences		(422)	(1,989)
Income tax expense	$	91,203	90,178

Reconciliations of income tax and income before income tax are as follows:

		2021	2020
Income before income tax	$	771,613	721,482
Income tax using the Company's domestic tax rate		154,323	144,297
Tax effect of permanent differences		1,264	1,249
Net of tax-exempt income		(18,664)	(22,870)
Investment tax credits		(41,517)	(39,500)
Additional tax on undistributed earnings, net		2,730	3,590
Others		(6,933)	3,412
Income tax expense	$	91,203	90,178

B. Deferred tax assets and liabilities

(a) The deferred tax assets have not been recognized in respect of the following items:

		December 31, 2021	December 31, 2020
Investment tax credits	$	15,734	14,297

The Company did not recognize the deferred tax assets arising from investment tax credit, which is awaiting to be examined and approved, in relation to "Regulations Governing the Application of Tax Credits for Corporate or Limited Partnership R&D Expenditures" for the years ended December 31, 2021 and 2020.

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Notes to the Financial Statements

(b) Recognized deferred tax assets and liabilities

Deferred tax assets:

	January 1, 2020	Recognized in profit or loss	December 31, 2020	Recognized in profit or loss	December 31, 2021
Allowance for doubtful accounts	$ -	(1,369)	1,369	(2,147)	3,516
Allowance for inventory valuation	2,284	1,101	1,183	(356)	1,539
Compensation for unused leave	1,988	(275)	2,263	(145)	2,408
Unrealized exchange losses	1,795	1,096	699	381	318
Deferred revenue	-	(2,542)	2,542	1,845	697
	$ 6,067	(1,989)	8,056	(422)	8,478

C. Assessment of tax filings

The Company's income tax returns for the years through 2019 have been examined and approved by the R.O.C. income tax authorities.

(15) Capital and other equity

As of December 31, 2021 and 2020, the authorized common stock of the Company amounted to $1,500,000 thousand, which was divided into 150,000 thousand shares, with a par value of $10 per share, of which $100,000 thousand was reserved for employee stock options. The issued and outstanding shares of common stock both amounted to $102,716 thousand.

A. Capital surplus

The balances of capital surplus were as follows:

	December 31, 2021	December 31, 2020
Additional paid in capital	$ 29,826	29,826
Employee stock options	10,666	10,666
Compensation cost arising from seasoned equity offering reserved for employees' purchase	1,322	1,322
	$ 41,814	41,814

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of share of stock in excess of par value and donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital. Capital surplus derived from the issuance of share of stock in excess of par value could not be capitalized until the fiscal year after the competent authority for company registrations approves registration of the capital increase or whatever other matter generated that portion of capital reserve.

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B. Retained earnings

The Company’s Articles of Incorporation stipulate that at least 10% of annual net income, after payment of income taxes and offsetting accumulated deficits, shall be set aside until such retention equals the amount of paid-in capital. In addition, a special reserve in accordance with applicable laws and regulations or upon a request for the Company’s operations shall also be set aside or reversed. The remaining current-year earnings together with unappropriated earnings from preceding years can be distributed as dividends to stockholders pursuant to the resolutions of the Board of Directors.

The Company’s dividend policy is to pay dividends from surplus considering factors such as current and future investment environment, cash requirements, domestic and overseas competitive conditions and capital budget requirements, while taking into account shareholders’ interest in the meantime, maintenance of balanced dividend and the Company’s long-term financial plan. The cash portion of the dividend, which may be in the form of cash and stock, shall not be less than 10% of the total dividend distributed during the year.

(a) Legal reserve

Pursuant to the Company Act, if the Company has no accumulated deficit it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

(b) Special reserve

In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders’ equity shall be set aside from current and prior-year unappropriated earnings. This special reserve shall revert to retained earnings and be made available for distribution when the items that are accounted for as deduction from stockholders’ equity are reversed in subsequent periods.

C. Earnings distribution

The resolution of earnings distribution for 2020 had been approved by shareholders through electronic voting on June 14, 2021. Details of earnings distribution for 2020 and 2019 as resolved by general shareholders' meeting on July 20, 2021 and June 19, 2020, respectively, were as follow:

	2020	2019
Dividends distributed to ordinary shareholders:		
Cash (dividends per share were both $5)	$ 513,580	513,580

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The aforementioned appropriation of earnings for 2020 and 2019 was consistent with the amount recognized in the financial statements. The aforementioned information is available on the Market Observation Post System website of the TWSE. The appropriation of earnings for 2021, $5.3 per share in cash, proposed by the Board of Directors on February 23, 2022 is to be present for approval in the annual shareholders' meeting. The information relevant to the aforementioned appropriation of earnings will be available on the Market Observation Post System website after the resolution.

D. Other equity — exchange differences on translation of foreign financial statement

	2021	2020
Balance at January 1	$ (1,285)	(1,283)
Net change	(19)	(2)
Balance at December 31	**$ (1,304)**	**(1,285)**

(16) Earnings per Share

	2021	2020
Basic earnings per share		
Net income attributable to the shareholders of the Company	**$ 680,410**	**631,304**
Weighted average number of ordinary shares outstanding (in thousands of shares)	**102,716**	**102,716**
Basic earnings per share (dollar)	**$ 6.62**	**6.15**
Diluted earnings per share:		
Net income attributable to the shareholders of the Company	**$ 680,410**	**631,304**
Weighted average number of ordinary shares outstanding (in thousands of shares)	102,716	102,716
Dilutive potential ordinary shares employee remuneration in stock (in thousands of shares)	514	850
Weighted average number of ordinary shares outstanding (in thousands of shares)(diluted)	**103,230**	**103,566**
Diluted earnings per share (dollar)	**$ 6.59**	**6.10**

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Notes to the Financial Statements

(17) Revenue from contracts with customers

A. Details of revenues

		2021	2020
Primary geographical markets:			
Taiwan	$	2,728,399	2,655,020
China		1,701,695	1,559,136
Japan		80,413	74,067
Other areas		2,927	7,880
	$	4,513,434	4,296,103
Major product categories			
Display materials	$	4,309,094	4,115,789
Semiconductor materials and key raw materials		204,340	180,314
	$	4,513,434	4,296,103

B. Contract balances

		December 31, 2021	December 31, 2020	January 1, 2020
Accounts receivable (including related parties)	$	1,352,713	1,247,298	1,333,199
Less: Allowance for doubtful accounts		(31,107)	(19,319)	(7,797)
	$	1,321,606	1,227,979	1,325,402

Please refer to note 6(4) for the disclosure of accounts receivable and allowance for doubtful accounts.

		December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities (recognized in other current liabilities)	$	12,045	4,112	5,458

The major change in the balance of contract liabilities is the advance consideration received from customers for the contracts, in which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2021 and 2020, which was included in the contract liability balance at the beginning of the period, was $4,111 thousand and $5,456 thousand, respectively.

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(18) Remuneration to employees and directors

The Company's Articles of Incorporation require that profits (income before tax, excluding remuneration to employees and directors) shall be used to offset against any deficit first, and then the remainder, if any, should be distributed as follows:

A. No less than 3% as employee remuneration;

B. No more than 1% as director's remuneration.

Employees who are entitled to receive the aforementioned employee remuneration, in share or cash, include the employees of subsidiaries of the Company who meet certain specific requirements.

For the years ended December 31, 2021 and 2020, the Company accrued and recognized its employees' remuneration amounting to $63,075 thousand and $58,977 thousand and directors' remuneration amounting to $6,307 thousand and $5,898 thousand (excluding the fixed directors' remuneration amounting to $12,000 thousand and $11,969 thousand), respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the Board of Directors, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

The amounts as stated in the 2021 and 2020 consolidated financial statements were consistent with those approved in the board of directors' meetings. The relevant information is available on the Market Observation Post System website.

(19) Non-operating income an expenses

A. Interest income

		2021	2020
Interest income on bank deposits	$	4,702	5,413
Interest income on government bonds with reverse repurchase agreements and others		-	129
	$	**4,702**	**5,542**

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B. Other gains and losses

		2021	2020
Gains (losses) on disposals of property, plant and equipment, net	$	(261)	159
Foreign exchange losses		(10,262)	(24,278)
Gains on financial assets (liabilities) measured at fair value through profit or loss		640	6,856
Government grants		12,500	2,682
Others		663	1,348
	$	3,280	(13,233)

C. Interest expense

		2021	2020
Interest expense on bank borrowings	$	1,151	1,264
Interest expense on lease liabilities		2,827	2,949
	$	3,978	4,213

(20) Financial instruments

A. Credit risk

(a) Credit risk exposure

Credit risk is the risk of financial loss to the Company if a counterparty of a financial instrument transaction fails to meet its contractual obligations, and derived primarily from cash and cash equivalents, accounts receivable (including related parties), financial assets measured at amortized cost, and guarantee deposits paid. The maximum exposure to credit risk is equal to the carrying amount of the Company's financial assets.

(b) Concentration of credit risk

As of December 31, 2021 and 2020, 81% and 80%, respectively, of the Company's accounts receivable (including related parties) were from the top 4 customers. There is no other significant concentration of credit risk from the remaining accounts receivable.

(c) Credit risks of receivables and debt securities

For credit risk exposure of accounts receivable, please refer to note 6(4). For the details of financial assets at amortized cost includes, including time deposits, please refer to note 6(3).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Please refer to note 4(6) regarding how the Company determines whether the financial instruments are considered to be low credit risk).

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B. Liquidity risk

The following, except for short-term borrowings, accounts payable (including related parties), payroll and bonus payable, and payable on machinery and equipment are the contractual maturities of other financial liabilities and the amounts include estimated interest payments but exclude the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years or more	Over 5 years
December 31, 2021							
Non derivative financial liabilities							
Current and non-current lease liabilities	$ 184,036	(212,901)	(5,464)	(5,384)	(21,537)	(32,306)	(148,210)
Long-term borrowings	213,500	(216,090)	(534)	(14,741)	(57,206)	(143,609)	-
Guarantee deposits received	132	(132)	-	-	(132)	-	-
	$ 397,668	(429,123)	(5,998)	(20,125)	(78,875)	(175,915)	(148,210)
December 31, 2020							
Non derivative financial liabilities							
Current and non- current lease liabilities	$ 192,217	(223,910)	(5,504)	(5,504)	(21,617)	(32,306)	(158,979)
Long-term borrowings	159,200	(161,851)	(398)	(398)	(15,004)	(146,051)	-
Guarantee deposits received	138	(138)	-	-	(138)	-	-
Derivative financial liabilities							
Inflows	-	57,565	57,565	-	-	-	-
Outflows	15	(57,580)	(57,580)	-	-	-	-
	$ 351,570	(385,914)	(5,917)	(5,902)	(36,759)	(178,357)	(158,979)

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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Notes to the Financial Statements

C. Currency risk

(a) Exposure to foreign currency risk

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

		December 31, 2021			December 31, 2020	
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary Items						
USD	$ 18,884	27.66	522,325	14,490	28.48	412,687
JPY	25,656	0.2407	6,175	54,819	0.2757	15,114
Non-monetary Items						
USD	10,088	27.66	Note	5,680	28.48	Note
JPY	594	0.2407	143	594	0.2757	162
Financial liabilities						
Monetary Items						
USD	747	27.66	20,655	386	28.48	10,989
JPY	29,918	0.2407	7,201	33,103	0.2757	9,127
Non-monetary Items						
USD	-	-	Note	2,050	28.48	Note

Note: The fair value of forward exchange contracts was measured at the reporting date. For related information, please refer to note 6(2).

(b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, and accounts payables that are denominated in foreign currency. As of December 31, 2021 and 2020, an appreciating (depreciating) of 0.1% of the NTD against the USD and JPY would have increased or decreased the profit from continuing operations before tax by $501 thousand and $408 thousand, respectively while all other variables were remained constant. The analysis was performed on the same basis for comparative periods.

(c) Foreign exchange gain (loss) on monetary items

The Company's foreign exchange gain (loss) arising from translation to the functional currency, including realized and unrealized portions, was as follows:

	2021		2020	
	Foreign exchange gain (loss)	Average exchange rate	Foreign exchange gain (loss)	Average exchange rate
NTD	$ (10,262)	-	(24,278)	-

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D. Interest rate analysis

The following sensitivity analysis is based on the exposure to interest rates. 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 had increased or decreased by 0.1%, the Company's profit from continuing operations before tax would have both increased or decreased by $0 thousand, for the years ended December 31, 2021 and 2020, assuming all other variable factors remain constant.

E. Fair value of financial instruments

(a) Fair value hierarchy

The carrying amount and fair value of the Company'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 reasonably approximate the fair value, and lease liabilities, disclosure of fair value information is not required.

	December 31, 2021				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at fair value through profit or loss — current — derivative financial assets	$ 1,415	-	1,415	-	1,415
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 214,655	-	-	-	-
Financial assets measured at amortized cost—current	941,335	-	-	-	-
Accounts receivable (including related parties)	1,321,606	-	-	-	-
Financial assets measured at amortized cost—non-current	10,350	-	-	-	-
Guarantee deposits paid	178	-	-	-	-
	$ 2,488,124	-	-	-	-

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	December 31, 2021				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial liabilities					
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	$ 603,543	-	-	-	-
Payroll and bonus payable	271,643	-	-	-	-
Payable on machinery and equipment	55,708	-	-	-	-
Long-term borrowings (including current portion)	213,500	-	-	-	-
Lease liabilities — current and non-current	184,036	-	-	-	-
Guarantee deposits received	132	-	-	-	-
	$ 1,328,562	-	-	-	-

	December 31, 2020				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at fair value through profit or loss — current — derivative financial assets	$ 1,867	-	1,867	-	1,867
Financial assets measured at cost					
Cash and cash equivalents	$ 283,533	-	-	-	-
Financial assets measured at amortized cost — current	952,569	-	-	-	-
Accounts receivable (including related parties)	1,227,979	-	-	-	-
Financial assets measured at amortized cost — non-current	10,350	-	-	-	-
Guarantee deposits paid	328	-	-	-	-
	$ 2,474,759	-	-	-	-

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	December 31, 2020				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial liabilities					
Financial liabilities measured at fair value through profit or loss — current — derivative financial liabilities	$ 15	-	15	-	15
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	$ 562,829	-	-	-	-
Payroll and bonus payable	264,063	-	-	-	-
Payable on machinery and equipment	28,168	-	-	-	-
Long-term borrowings	159,200	-	-	-	-
Lease liabilities — current and non-current	192,217	-	-	-	-
Guarantee deposits received	138	-	-	-	-
	$ 1,206,615	-	-	-	-

(b) Valuation technique for financial instruments not measured at fair value

The Company estimates its financial instruments not measured at fair value using the following methods and assumptions:

Fair value measurement for financial assets and financial liabilities measured at amortized cost will be based on the latest quoted price and concluded price if the quotation provided by market makers or concluded price is available in active markets. When market value is unavailable, the fair value of financial assets and financial liabilities is evaluated based on the discounted cash flow of the financial liabilities.

(c) Valuation technique for fair value of financial instruments measured at fair value — derivative financial instruments

Forward exchange contracts will be generally evaluated based on forward strike rate.

As of December 31, 2021 and 2020, there was no transfer at fair value level.

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Notes to the Financial Statements

(21) Financial risk management

A. Overview

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

(a) Credit risk

(b) Liquidity risk

(c) Market risk

In order to reduce and manage related financial risks, the Company is committed to analyzing, identifying and assessing the potential adverse effects of those financial risk factors on the Company's financial performance, and then proposing and implementing corresponding countermeasures to avoid unfavorable factors caused by financial risks.

The following likewise discusses the Company’s objectives, policies and processes for measuring and managing the aforementioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying parent-company-only financial statements.

B. Structure of risk management

The Company’s major financial activities are reviewed by the Board of Directors and the audit committee in accordance with relevant regulations and internal control systems. During the execution of the financial projects, the Company must strictly abide by the related financial operation procedures in relation to the overall financial risk management and the division of authority and responsibility. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

C. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s receivables from operating activities, financial assets measured at amortized cost, and cash and cash equivalents. Operation-related credit risk and financial credit risk are managed separately.

(a) Operation-related credit risk

The Company has established a credit policy under which each new customer is analyzed individually to maintain the quality of accounts receivable.

The risk assessment for each customer takes into account a number of factors that may affect the customer's solvency, including the customer's financial status, credit rating agencies and the Company’s credit ratings, historical payment records, and current economic situations. If necessary, the Company will make use of credit enhancement instruments, such as payment in advance and credit insurance, to reduce the credit risk from particular customers.

(b) Financial credit risk

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Company’s finance department. As the Company deals with banks and financial institutions, and corporate organization with good credit standing which are graded above par level, the Company believes that does not have performance capability issues and no significant credit risk.

D. Liquidity risk

Liquidity risk is the risk that the Company has no sufficient cash and other financial assets to meet its obligations associated with matured financial liabilities. There is no liquidity risk of being unable to raise capital to settle contract obligations since the Company has sufficient capital and working capital to fulfill contract obligations. Please refer to note 6(20).

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, which will affect the Company’s income or the value of its holdings of financial instruments. Please refer to note 6(20). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in currencies other than the functional currencies of the Company’s entities. These transactions are denominated in NTD, USD, and JPY.

In respect of net positions of accounts receivable denominated in foreign currencies, the Company undertakes forward exchange contacts appropriately. If necessary, the Company can rollover forward exchange contacts when contracts are mature.

(b) Interest rate risk

Please refer to note 6(20).

(22) Capital management

The Company’s capital management is to ensure it has necessary and reasonable financial resources to support the future development, and takes the decent debt ratio into account contemporarily so that investors, creditors and the market can rest assured. The management may achieve the purpose of maintaining or adjusting the Company’s capital structure by adjusting dividends paid to shareholders, returning capital to shareholders, and issuing new shares. The debt ratio as of December 31, 2021 and 2020 were 34% and 33%, respectively. There were no changes in the Company’s approach to capital management during the year ended December 31, 2021.

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(23) Investing and financing activities not affecting currect cash flow

The Company'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:

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities (current and non-current)	Guarantee deposits received	Liabilities arising from financing activities
January 1, 2021	$ -	159,200	192,217	138	351,555
Cash flow					
Proceeds from borrowings	230,000	54,300	-	-	284,300
Repayments of borrowings	(230,000)	-	-	-	(230,000)
Payment of lease liabilities	-	-	(8,181)	-	(8,181)
Interest paid	-	-	(2,827)	-	Note
Guarantee deposits refunded	-	-	-	(6)	(6)
Non-cash changes					
Interest expenses	-	-	2,827	-	Note
December 31, 2021	$ -	213,500	184,036	132	397,668

	Short-term borrowings	Long-term borrowings	Lease liabilities (current and non-current)	Guarantee deposits received	Liabilities arising from financing activities
January 1, 2020	$ 50,000	-	201,828	183	252,011
Cash flow					
Proceeds from borrowings	665,000	159,200	-	-	824,200
Repayments of borrowings	(715,000)	-	-	-	(715,000)
Payment of lease liabilities	-	-	(8,060)	-	(8,060)
Interest paid	-	-	(2,949)	-	Note
Adjustment of right of use asset	-	-	(1,551)	-	(1,551)
Guarantee deposits refunded	-	-	-	(45)	(45)
Non-cash changes					
Interest expenses	-	-	2,949	-	Note
December 31, 2020	$ -	159,200	192,217	138	351,555

Note: It was categorized as operating activities.

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7. **Related-party transactions:**

(1) Names and relationships of related parties

The followings are entities that have had transactions with the Company during the periods covered in the parent-company-only financial statements:

Names of related parties	Relationship with the Company
Eternal Materials Co., Ltd. ("Eternal")	The entity with significant influence over the Company
AU Optronics Corp. ("AUTW")	The entity with significant influence over the Company
AUO Crystal Corp. ("ACTW")	AUTW's Subsidiary
AU Optronics (Suzhou) Corp., Ltd. ("AUSZ")	AUTW's Subsidiary
AU Optronics (Xiamen) Corp. ("AUXM")	AUTW's Subsidiary
AU Optronics (Kunshan) Co., Ltd. ("AUKS")	AUTW's Subsidiary
AUO Crystal (Malaysia) Sdn Bhd ("ACMK")	AUTW's Subsidiary
Board members, general manager, and vice presidents	The management of the Group

(2) Compensation to key management personnel

Key management personnel compensation comprised of:

	2021	2020
Short-term employee benefits	$ 85,090	87,040
Post-employment benefits	243	324
	$ 85,333	87,364

(3) Significant transactions with related parties

A. Sales

The amounts of significant sales transactions and the outstanding balance of accounts receivable between the Company and related parties were as follows:

	Operating revenue		Accounts receivable due from related parties	
	2021	2020	December 31, 2021	December 31, 2020
The entity with significant influence over the Company－ACTW	$ 2,318,125	2,307,659	853,177	797,622
The entity with significant influence over the Company－Others	54	15	-	-
Other related parties	39,281	21,983	15,644	7,183
	$ 2,357,460	2,329,657	868,821	804,805

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As of December 31, 2021 and 2020, the credit terms for related parties were both 60 to 120 days from the end of the month while those for third parties were collected in advance to 120 days from the end of the month. The selling price for sales to the related parties was determined by market and adjusted according to the sales volume and product specification. The Company did not implement collateral requirements for receivables from related parties, and did not reserve the bad debt allowance for related parties' receivables after appraisal.

B. Purchase and process outsourcing

The amounts of purchases and process outsourcing, and the outstanding balance of accounts payable to related parties were as follows:

	Purchase and process outsourcing		Accounts payable to related parties	
	2021	**2020**	**December 31, 2021**	**December 31, 2020**
The entity with significant influence over the Company	$ 75,389	76,341	18,127	20,151

As of December 31, 2021 and 2020, the payment terms to third parties were both 90 days from the end of the month while those to related parties were prepayment to 120 days from the end of the month. The Company did not procure products with the same specification from third parties, so that purchase price between related parties and third parties cannot be compared. The products outsourced to related parties were different from products outsourced to third parties, so the payment terms and purchase prices can't be benchmarked.

C. Transactions of property, plant and equipment

The disposals of property, plant and equipment to related parties were summarized as follows:

	Proceeds from disposal		Accounts receivable due from related parties	
	2021	**2020**	**December 31, 2021**	**December 31, 2020**
Other related parties	$ -	159	-	-

For the years ended December 31, 2021 and 2020, the gain on disposal of property, plant and equipment amounted to $0 thousand and $159 thousand, respectively.

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D. Service rendering

The amounts of service rendering, such as inspection fees and administrative expenses, and the outstanding balance of other payable due to related parties were as follows:

	Amount		Accounts payable to related parties	
	2021	**2020**	**December 31, 2021**	**December 31, 2020**
The entity with significant influence over the Company	$ 1,381	752	-	98
Other related parties	50	4	-	-
	$ 1,431	756	-	98

8. Pledged assets:

The carrying values of pledged assets were as follows:

Asset name	Pledge or Mortgage underlying subject	December 31, 2021	December 31, 2020
Time deposits (recognized in financial assets measured at amortized cost－non-current)	Guarantee for the lease contract with the Central Taiwan Science Park Bureau	$ 6,200	6,200
Time deposits (recognized in financial assets measured at amortized cost－non-current)	Guarantee for the investment with the Chungkang Export Processing Zone Bureau	4,150	4,150
		$ 10,350	10,350

9. Commitments and contingencies:

The significant commitments and contingencies of the Company as of December 31, 2021 and 2020, except for note 6(12), were as follows:

(1) As of December 31, 2021 and 2020, a guarantee letter for import tariffs and VAT which the Company requested a bank to issue to the Taipei Customs Administration amounting to $4,000 thousand and $3,000 thousand, respectively.

(2) As of December 31, 2021 and 2020, the significant outstanding commitments for construction and purchase of property, plant and equipment amounted to $142,963 thousand and $356,097 thousand, respectively.

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(3) As of December 31, 2021 and 2020, the total amount of promissory notes deposited by the Company at the bank for acquiring borrowings limit and credit line of forward exchange trading was $1,724,768 thousand and $1,707,872 thousand, respectively.

(4) As of December 31, 2021, a promissory note and a guarantee letter issued by a bank to Taiwan Small & Medium Enterprise Counselling Foundation as a guarantee of government subsidies for the research and development project amounted $30,876 thousand and $12,500 thousand, respectively.

10. Losses due to major disasters: None

11. Subsequent events: None

12. Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2021			2020		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	147,031	452,514	599,545	137,176	427,358	564,534
Labor and health insurance	12,616	24,649	37,265	10,768	21,824	32,592
Pension	6,005	11,273	17,278	5,550	10,835	16,385
Remuneration of directors	-	18,757	18,757	-	18,297	18,297
Others	6,363	12,699	19,062	6,951	15,709	22,660
Depreciation	158,250	54,897	213,147	161,865	57,547	219,412
Amortization	239	2,681	2,920	228	2,436	2,664

For the years ended December 31, 2021 and 2020, the Company's other information of employee benefits were as follows:

	2021	2020
Number of employees	$ 383	368
Number of directors who's not employee	$ 7	7
Average employee benefits	$ 1,790	1,762
Average employee salaries	$ 1,595	1,564
Average adjustment of employee salaries	1.98%	0.71%
Supervisor's remuneration.	$ -	-

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The salary policy of the Company (including directors, managers and employees) were as follows:

(1) According to Company’s Articles of Incorporation, if the Company has a profit (income before tax, excluding remuneration to employees and Directors) for each fiscal year, the Company shall first reserve a sufficient amount to offset its accumulated losses, and then distribute the remaining in accordance with the ratio as follows: 1. No less than 3% as employees’ remuneration ; 2. No more than 1% as directors’ remuneration. The remuneration of employees and directors shall be resolved by the Board of Directors and reported to the shareholders' meeting.

(2) In order to keep salary policy being competitive and attract, encouraging, keeping superb talent, in accordance with Company Act, the Company’s “Article of Incorporation”, “Compensation Committee Charter”, “Rules for Managerial Officers’ Salary”, and “Rules for Salary Paying”, the Company defines the procedures of remuneration for directors, general manager and vice president. Depends on the position of directors, general manager and vice president and responsibilities being taken and the salary level in the same industry, the Company decides the amount of remuneration following the performance of the Company, which is submitted by Compensation Committee and decided by Board of Directors.

(3) The Company examines the salary condition of the market periodically, and attract, keeping talent with competitive salaries. According to Company’s Articles of Incorporation, it is required that profits shall be distributed no less than 3% as employee remuneration.

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Notes to the Financial Statements

13. Other disclosures:

(1) Information on significant transactions:

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

A. Loans to other parties: None.

B. Guarantees and endorsements for other parties: None.

C. Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): None.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

E. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:

							If the counter-party is a related party, disclose the previous transfer information						
Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	Owner	Relationship with the Company	Date of transfer	Amount	References for determining price	Purpose of acquisition and current condition	Others
The Company	New construction of Chungkang site	Feb. 27, 2020	215,871 (before tax)	194,284 (before tax)	Lee Ming Construction Corporation	Non related party	None	None	None	-	Bidding	Operation	None

F. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

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

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase /Sale	Amount	% of total purchases/ sales	Payment terms	Unit price	Payment terms	Ending balance	% of total notes/accounts receivable (payable)	Note
The Company	AUTW	The company who evaluated the Company by the equity method	(Sales)	2,318,125	51%	120 days from the end of the month	Note 7	Note 7	853,177	65%	

H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	AUTW	The company who evaluated the Company by the equity method	853,177	2.81	32	Collected	206,670	-

Note: The status of receivables collection in subsequent period was as of January 25, 2022.

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Notes to the Financial Statements

I. Trading in derivative instruments: Please refer to notes 6(2).

(2) Information on investees (excluding information on investment in Mainland China):

The following is the information on investees for the years ended December 31, 2021:

(Unit: NTD (JPY) thousand/share)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	% of ownership	Carrying value			
The Company	LS	Japan	R&D, Manufacturing and sales company of fine chemicals	5,617 (JPY15,000)	5,617 (JPY15,000)	1,500	100.00%	143	-	-	
The Company	FMSA	Samoa	Investing and shareholding	-	-	-	- %	-	-	-	Note

Note: The registration process was completed on August 9, 2017. As of December 31, 2021, the capital was not injected.

(3) Information on investment in Mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information: None.

B. Limitation on investment in Mainland China: None.

C. Significant transactions: None.

(4) Major shareholders:

Shareholding / Shareholder's Name	Shares	Percentage
Eternal Materials Co., Ltd.	23,423,812	22.80%
Konly Venture Corp.	19,113,730	18.61%
Fubon Life Insurance Co. Ltd.	7,528,000	7.33%
Ronly Venture Corp.	6,312,075	6.15%

Note：(1) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total nonphysical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the consolidated financial statements due to the use of different calculation basis.

(2) In the case of the above information, if a shareholder delivers shares to the trust, the shares will be individually disclosed by the trustee who opened the trust account. As for shareholders' declarations of insider's equity holdings exceeding 10% in accordance with the Securities and Exchange Act, their shareholding include their own shareholding, plus the shares delivered to the trust, and the right to use the trust property. For further information on relevant insider shares, please refer to the Market Observation Post System website.

14. Segment information:

Please refer to the 2021 Consolidated Financial Statements.

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