

**Coremax Corporation and Subsidiaries**  
**Consolidated Financial Statements**  
**With Independent Auditors' Report**  
**For the Years Ended December 31, 2021 and 2020**

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

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## **Representation Letter**

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

Company name: Coremax Corporation  
Chairman: Chi-Cheng Ho  
Date: February 25, 2022



安侯建業聯合會計師事務所  
KPMG

新竹市300091新竹科學園區展業一路11號  
No. 11, Prosperity Road I, Hsinchu Science Park,  
Hsinchu City 300091, Taiwan (R.O.C.)

電話 Tel + 886 3 579 9955  
傳真 Fax + 886 3 563 2277  
網址 Web home.kpmg/tw

## Independent Auditors' Report

To the Board of Directors  
Coremax Corporation:

### Opinion

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

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

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in the 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 for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters should be reflected in our report are as follow:

#### 1. Loss allowance assessment of Receivables

Please refer to Note 4(7) “Financial instruments” for the accounting policies of loss allowance assessment of receivables, Note 5 “ for the relevant accounting estimation, and major sources of assumption uncertainty” ; and Note 6(4) “Notes and accounts receivable, net” to the consolidated financial statements for the details of relevant disclosures.



Description of key audit matters:

The Group has a worldwide customer base. As such, the Group may encounter difficulty in obtaining financial information of the customers due to the rapid changes in the business environment which included the industry, technology, market, and economic, as well as legal matters. When assessing the expected credit loss of its receivables during its lifetime, the receivables are measured based on the factors such as aging analysis of accounts receivable, customers' financial status, historical collection experience, current market conditions, and consideration of forward-looking information. The assessment of allowance for loss on accounts receivables involved subjective judgment of management, which has been identified as one of our key audit matters.

How the matter was addressed in our audit:

Our main audit procedures included: Obtaining and checking the accuracy of the impairment loss calculation from the management of the accounts receivable ; Checking the completeness of the aging analysis of the receivables and accuracy of the aging bracket by sampling, and analyzing the receivables aging and historical receivables collection record and customer credit risk concentration in measuring the appropriateness of the expected credit loss rate in order to evaluate the reasonableness of the provision amount of the account receivable loss allowance of the Group, and evaluating the adequacy of the Group's disclosures in the accounts.

## 2. Valuation of Inventories

Please refer to Note 4(8) "Inventories" for the accounting policies of inventories valuation, Note 5 "for the relevant accounting estimation, and major sources of assumption uncertainty", and Note 6(5) "Inventories" to the consolidated financial statements for the details of relevant disclosures.

Description of key audit matters:

The Group's inventories are measured at the lower of cost and net realizable value. The Group will exercise judgment in estimating the net realizable value of its inventories as at reporting date. Estimation of net realizable value might subject to significant changes due to the fluctuations of the market and rapid changes in technology. Therefore, estimation of devaluation loss that reduce inventory to market value is one of our key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: Understanding and evaluating the assessment performed by the management in calculating the net realizable value, as well as vouching to relevant documents for samples selected; evaluating the adequacy of the provisions policy ; assessing whether the valuation of inventories did follow such policy; and considering the adequacy of the Group's disclosures in the accounts.

## Other Matter

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, interpretations 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 members of 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 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 Chi-Lung Yu and Pei-Chi Chen.

KPMG

Taipei, Taiwan (Republic of China)  
February 25, 2022

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and 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.

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Coremax Corporation and subsidiaries**  
**Consolidated Balance Sheets**  
**December 31, 2021 and 2020**  
(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020			December 31, 2021		December 31, 2020	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Assets</b>					<b>Liabilities and Equity</b>				
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents (note 6(1))	\$ 1,882,198	18	703,928	10	Short-term notes and bills payable (note 6(12))	\$ 80,000	1	80,000	1
Notes receivable, net (note 6(4))	14,874	-	51,332	1	Short-term borrowings (note 6(13))	1,906,362	19	1,538,966	21
Accounts receivable, net (note 6(4))	798,006	8	570,007	8	Notes payable	26,808	-	45,703	1
Accounts receivable from related parties (notes 6(4) and 7)	-	-	130	-	Accounts payable	104,816	1	124,612	2
Other receivables—related parties (note 7)	-	-	22	-	Salary and bonus payable	100,301	1	92,192	1
Inventories (note 6(5))	1,907,627	19	1,055,685	15	Payable on machinery and equipment	76,255	1	51,939	1
Prepayments to suppliers	920,389	9	518,842	7	Current lease liabilities (note 6(15))	4,988	-	5,409	-
Other financial assets—current (notes 6(2) and (9))	49,958	1	1,892	-	Long-term borrowings, current portion (note 6(13))	62,291	1	50,000	1
Other current assets (note 6(8))	121,758	1	78,816	-	Other current liabilities	252,703	2	116,636	2
	<u>5,694,810</u>	<u>56</u>	<u>2,980,654</u>	<u>41</u>		<u>2,614,524</u>	<u>26</u>	<u>2,105,457</u>	<u>30</u>
<b>Non-current assets:</b>					<b>Non-current liabilities:</b>				
Financial assets at fair value through profit or loss—non-current (note 6(2))	6,408	-	-	-	Convertible bonds payable (note 6(14))	678,528	7	-	-
Financial assets at fair value through other comprehensive income—non-current (note 6(3))	37,000	-	49,203	1	Long-term borrowings (note 6(13))	1,095,161	11	814,622	11
Property, plant and equipment (notes 6(10) and 8)	4,051,496	40	3,977,135	55	Deferred tax liabilities (note 6(17))	331,065	3	307,779	4
Right-of-use assets (note 6(11))	41,047	-	42,870	1	Non-current lease liabilities (note 6(15))	12,801	-	12,517	-
Deferred tax assets (note 6(17))	53,121	1	47,595	1	Net defined benefit liability—non-current (note 6(16))	6,676	-	5,438	-
Net defined benefit asset—non-current (note 6(16))	11,742	-	12,195	-	Deposits received	107	-	1,307	-
Other financial assets—non-current (notes 6(2), (9) and 8)	112,462	1	40,995	-		<u>2,124,338</u>	<u>21</u>	<u>1,141,663</u>	<u>15</u>
Other non-current assets (note 6(8))	197,367	2	66,902	1	<b>Total liabilities</b>	<u>4,738,862</u>	<u>47</u>	<u>3,247,120</u>	<u>45</u>
	<u>4,510,643</u>	<u>44</u>	<u>4,236,895</u>	<u>59</u>	<b>Equity (notes 6(6), (14) and (18)):</b>				
					Equity attributable to parent company shareholders:				
					Ordinary share capital	1,070,293	10	930,293	13
					Capital surplus	2,585,667	25	1,603,253	22
					Retained earnings	1,204,411	12	868,001	12
					Other equity interest	(46,536)	-	(18,558)	-
					Treasury shares	(92,839)	(1)	(129,796)	(2)
						<u>4,720,996</u>	<u>46</u>	<u>3,253,193</u>	<u>45</u>
					Non-controlling interests	745,595	7	717,236	10
					<b>Total equity</b>	<u>5,466,591</u>	<u>53</u>	<u>3,970,429</u>	<u>55</u>
<b>Total assets</b>	<u>\$ 10,205,453</u>	<u>100</u>	<u>7,217,549</u>	<u>100</u>	<b>Total liabilities and equity</b>	<u>\$ 10,205,453</u>	<u>100</u>	<u>7,217,549</u>	<u>100</u>

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Coremax Corporation and subsidiaries

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars, except for earnings per share)

	2021		2020	
	Amount	%	Amount	%
<b>Net operating revenue</b> (notes 6(20) and 7)	\$ 7,338,783	100	5,285,365	100
<b>Operating costs</b> (notes 6(5), (16) and (21))	6,395,418	87	4,809,896	91
<b>Gross profit</b>	943,365	13	475,469	9
<b>Operating expenses</b> (notes 6(4), (16) and (21)):				
Selling expenses	101,442	2	70,110	1
General administrative expenses	227,550	3	159,619	3
Research and development expenses	8,971	-	29,438	1
Expected credit loss	21,029	-	-	-
<b>Total operating expenses</b>	358,992	5	259,167	5
<b>Net operating income</b>	584,373	8	216,302	4
<b>Non-operating income and expenses:</b>				
Other income (notes 6(22))	23,551	-	32,505	1
Other gains and losses, net (note 6(22))	18,402	-	(11,878)	-
Finance costs (notes 6(14), (15) and (22))	(24,370)	-	(19,087)	-
Interest income (note 6(22))	1,237	-	2,477	-
Foreign exchange gains (loss) (note 6(23))	2,403	-	(13,885)	-
	21,223	-	(9,868)	1
<b>Income before income tax</b>	605,596	8	206,434	5
Income tax expenses (note 6(17))	157,176	2	40,789	1
<b>Net income</b>	448,420	6	165,645	4
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Remeasurements of defined benefit plans (note 6(16))	(2,830)	-	(1,130)	-
Unrealized gains (losses) of financial assets measured at fair value through other comprehensive income	(12,203)	-	(3,463)	-
Income tax related to items that will not be reclassified to profit or loss	-	-	-	-
<b>Total items that will not be reclassified subsequently to profit or loss</b>	(15,033)	-	(4,593)	-
<b>Items that may be reclassified subsequently to profit or loss</b>				
Exchange differences on translation of foreign financial statements	(18,169)	-	4,759	-
Income tax relating to item that may be reclassified subsequently (note 6(17))	(4,443)	-	1,087	-
<b>Total items that may be reclassified subsequently to profit or loss</b>	(13,726)	-	3,672	-
<b>Other comprehensive income</b>	(28,759)	-	(921)	-
<b>Total comprehensive income</b>	\$ 419,661	6	164,724	4
<b>Net income attributable to:</b>				
Shareholders of the parent	\$ 462,930	6	155,164	4
Non-controlling interests	(14,510)	-	10,481	-
	\$ 448,420	6	165,645	4
<b>Total comprehensive income attributable to:</b>				
Shareholders of the parent	\$ 432,299	6	155,420	4
Non-controlling interests	(12,638)	-	9,304	-
	\$ 419,661	6	164,724	4
<b>Earnings per share (New Taiwan Dollars)</b> (note 6(19)):				
Basic earnings per share	\$ 4.67		1.73	
Diluted earnings per share	\$ 4.62		1.73	

See accompanying notes to consolidated financial statements.

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

	Share capital		Retained earnings				Other equity interest			Treasury shares	Subtotal of equity attributable to the shareholders of the parent	Non-controlling interests	Total equity
	Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income					
								Total	Total				
<b>Balance at January 1, 2020</b>	\$ 930,293	1,599,457	209,453	17,200	599,133	825,786	(17,758)			(2,370)	(20,128)	(14,048)	3,321,360
Net income for the period	-	-	-	-	155,164	155,164	-	-	-	-	155,164	10,481	165,645
Other comprehensive income (loss) for the period	-	-	-	-	(1,314)	(1,314)	4,347	(2,777)	1,570	-	256	(1,177)	(921)
Total comprehensive income (loss) for the period	-	-	-	-	153,850	153,850	4,347	(2,777)	1,570	-	155,420	9,304	164,724
Appropriation and distribution of retained earnings:													
Appropriated legal reserve	-	-	12,802	-	(12,802)	-	-	-	-	-	-	-	-
Appropriated special reserve	-	-	-	2,930	(2,930)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(111,635)	(111,635)	-	-	-	-	(111,635)	-	(111,635)
Treasury shares acquired	-	-	-	-	-	-	-	-	-	(115,748)	(115,748)	-	(115,748)
Adjustments to capital surplus due to the Company's cash dividends distributed to subsidiaries	-	3,696	-	-	-	-	-	-	-	-	3,696	-	3,696
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(23,252)	(23,252)
Differences between consideration and carrying amounts of subsidiaries shareholding acquired or disposed of	-	100	-	-	-	-	-	-	-	-	100	(395)	(295)
<b>Balance at December 31, 2020</b>	930,293	1,603,253	222,255	20,130	625,616	868,001	(13,411)	(5,147)	(18,558)	(129,796)	3,253,193	717,236	3,970,429
Net income for the period	-	-	-	-	462,930	462,930	-	-	-	-	462,930	(14,510)	448,420
Other comprehensive income (loss) for the period	-	-	-	-	(2,653)	(2,653)	(17,771)	(10,207)	(27,978)	-	(30,631)	1,872	(28,759)
Total comprehensive income	-	-	-	-	460,277	460,277	(17,771)	(10,207)	(27,978)	-	432,299	(12,638)	419,661
Appropriation and distribution of retained earnings:													
Appropriated legal reserve	-	-	15,385	-	(15,385)	-	-	-	-	-	-	-	-
Reversed special reserve	-	-	-	(1,571)	1,571	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(121,205)	(121,205)	-	-	-	-	(121,205)	-	(121,205)
Capital increase by cash	140,000	717,850	-	-	-	-	-	-	-	-	857,850	-	857,850
Issuance of convertible bonds	-	136,719	-	-	-	-	-	-	-	-	136,719	-	136,719
Transfer treasury shares to employees (including subsidiaries)	-	19,542	-	-	-	-	-	-	-	34,295	53,837	-	53,837
Disposal of company's share by subsidiaries recognized as treasury share transactions	-	70,101	-	-	(2,662)	(2,662)	-	-	-	2,662	70,101	21,681	91,782
Adjustment to capital surplus due to cash dividends distributed to subsidiary	-	3,316	-	-	-	-	-	-	-	-	3,316	-	3,316
Differences between consideration and carrying amounts of subsidiaries shareholding acquired or disposed of	-	(53)	-	-	-	-	-	-	-	-	(53)	(4,968)	(5,021)
Amounts affected by cash capital increase of subsidiaries not recognized in proportion to shareholding	-	(1,246)	-	-	-	-	-	-	-	-	(1,246)	1,246	-
Share-based payments transactions	-	36,185	-	-	-	-	-	-	-	-	36,185	430	36,615
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(21,856)	(21,856)
Subsidiaries' capital increase by cash	-	-	-	-	-	-	-	-	-	-	-	44,464	44,464
<b>Balance at December 31, 2021</b>	\$ 1,070,293	2,585,667	237,640	18,559	948,212	1,204,411	(31,182)	(15,354)	(46,536)	(92,839)	4,720,996	745,595	5,466,591

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Coremax Corporation and subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 605,596	206,434
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation	289,543	274,042
Share-base payments	36,615	-
Expected credit loss	21,029	-
Interest expense	24,370	19,087
Interest income	(1,237)	(2,477)
Dividend income	(8,622)	(2,874)
Gain on disposal of investments	46,985	-
Impairment loss on property, plant and equipment	(73,675)	-
Adjustment for other non-cash-related losses, net	19	811
<b>Subtotal of gains or losses on non-cash activities</b>	<u>335,027</u>	<u>288,589</u>
<b>Changes in operating assets and liabilities:</b>		
Notes receivable	36,458	(12,456)
Accounts receivable (including related parties)	(248,642)	(86,681)
Inventories	(851,942)	359,716
Prepayment to suppliers	(401,547)	(361,271)
Other current assets	(60,122)	(6,892)
Notes payable	(18,895)	(26,450)
Accounts payable (including related parties)	(19,796)	1,409
Other current liabilities	76,562	31,416
Net defined benefit liability and asset	(962)	(1,335)
<b>Total adjustments</b>	<u>(1,153,859)</u>	<u>186,045</u>
Cash inflow (outflow) generated from operations	(548,263)	392,479
Interest paid	(24,376)	(19,391)
Income taxes paid	(66,570)	(30,495)
<b>Net cash from (used in) operating activities</b>	<u>(639,209)</u>	<u>342,593</u>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	-	(3,369)
Proceeds from disposal of subsidiaries	83,420	-
Acquisition of property, plant and equipment	(432,208)	(483,741)
Proceeds from disposal of property, plant and equipment	43,380	1,286
Increase in refundable deposits	(2,331)	(28,435)
Increase in restricted deposit	(100,000)	-
Increase in other non-current assets	(136,191)	(34,337)
Acquisition of non-controlling interests	(5,021)	(295)
Interest received	1,237	2,477
Dividends received	8,622	2,874
<b>Net cash used in investing activities</b>	<u>(539,092)</u>	<u>(543,540)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	375,898	510,887
Decrease in short-term notes and bills payable	-	(150,000)
Proceeds from long-term borrowings	342,830	157,310
Repayments of long-term borrowings (including current portion)	(50,000)	(133,333)
Decrease in guarantee deposits received	(1,200)	-
Payment of lease liabilities	(6,196)	(5,285)
Cash dividends paid	(117,889)	(107,939)
Subsidiaries' capital increase by cash	44,464	-
Capital increase by cash	857,850	-
Increase in treasury stocks	-	(115,748)
Cash dividends paid for non-controlling interests	(21,856)	(23,252)
Issuance of convertible bonds	808,056	-
Disposal of company's share by subsidiaries recognized as treasury shares transactions	91,782	-
Treasury stocks transfer to employees	53,837	-
<b>Net cash from financing activities</b>	<u>2,377,576</u>	<u>132,640</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(21,005)</u>	<u>5,042</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>1,178,270</u>	<u>(63,265)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>703,928</u>	<u>767,193</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 1,882,198</u>	<u>703,928</u>

See accompanying notes to consolidated financial statements.

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

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2021 and 2020**

**(amounts expressed in Thousands of New Taiwan Dollars,  
except for per share information and unless otherwise noted)**

**1. Company history**

Coremax Corporation (the “Company”) was incorporated in Hsinchu, Republic of China (R.O.C.), on June 16, 1992. The registered address of the Company’s office is 11 Wenhua Road, Hsinchu Industrial Park, Hsinchu County 30352, Taiwan R.O.C. The Company’s ordinary shares were publicly listed on the Taiwan Stock Exchange on September 8, 2017 and the trading of Taipei Exchange stock was officially terminated on the same date.

The Company and its subsidiaries (together referred to as the “Group”) are mainly involved in the manufacturing, sales, import and export of oxidation catalyst, battery materials, chemical fertilizers and specialty chemicals.

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

The consolidated financial statements were authorized for issue by the Board of Directors on February 25, 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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	The key amendments to IAS 1 include: <ul style="list-style-type: none"> <li>● requiring companies to disclose their material accounting policies rather than their significant accounting policies;</li> <li>● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and</li> <li>● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.</li> </ul>	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	January 1, 2023

## **Coremax Corporation and subsidiaries**

### **Notes to the Consolidated Financial Statements**

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

The Group does not expect the following other 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 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 as follows. Except for those described individually, the significant accounting policies have been applied consistently to all 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) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

##### **(2) Basis of preparation**

###### **(i) Basis of measurement**

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the consolidated balance sheets:

- 1) Financial assets at fair value through profit or loss are measured at fair value (include derivative instruments);
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (assets) are measured fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(14).

###### **(ii) Functional and presentation currency**

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars (TWD), which is the Company’s functional currency. Unless otherwise noted, all financial information presented in TWD has been rounded to the nearest thousand.

**Coremax Corporation and subsidiaries**  
**Notes to the Consolidated Financial Statements**

(3) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Losses attributable to the noncontrolling interests in a subsidiary are attributed to the noncontrolling interests even if doing so results in a deficit noncontrolling interests’ balance.

The accounting policies in the subsidiary’s financial statements has been adjusted properly to be consistent with the accounting policies used by the Group.

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

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

(ii) List of subsidiaries in the consolidated financial statements

The consolidated entities were as follows:

<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Business Nature</u>	<u>Percentage of Ownership (%)</u>		<u>Note</u>
			<u>December 31, 2021</u>	<u>December 31, 2020</u>	
The Company	Coremax (BVI) Corporation	Investment company	100 %	100 %	
The Company	Uranus Chemicals Co., Ltd. (Uranus Chemicals)	Manufacturing and sales of oxalic acid 、 organic and inorganic acid 、 rare earth compounds and related products	64.71 %	62.65 %	Note 1
The Company	Hengi Chemical Co., Ltd. (Hengi)	Manufacturing and sales of chemical fertilizers, chemical raw materials, organic fertilizer and fertilizers with organic matter. Import and export of related business. Recycling and reproduce of solvent and pollutants.	82.44 %	80.18 %	Note 1



**Coremax Corporation and subsidiaries**  
**Notes to the Consolidated Financial Statements**

<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Business Nature</u>	<u>Percentage of Ownership (%)</u>		<u>Note</u>
			<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Coremax (BVI) Corporation	Coremax Zhuhai Chemical Co., Ltd.	Production and sales of oxidation catalysts, sodium carbonate solutions, wastewater treatment solutions, exhaust gas absorbents and cobalt compound series products.	-	100 %	Note 1, 2
Coremax (BVI) Corporation	Coremax Ningbo Chemical Co., Ltd.	Manufacturing and processing of pure terephthalic acid oxidation catalyst, sodium carbonate solutions, wastewater treatment solutions, exhaust gas absorbent and cobalt compound series products.	100 %	100 %	
Coremax (BVI) Corporation	Coremax (Thailand) Co., Ltd.	Manufacturing and processing of pure terephthalic acid oxidation catalyst, sodium carbonate solutions, wastewater treatment solutions, exhaust gas absorbent and cobalt compound series products.	100 %	100 %	
Coremax (BVI) Corporation	Coremax (Zhangzhou) Chemical Co., Ltd.	Manufacturing, processing and wholesale of pure terephthalic acid oxidation catalyst, sodium carbonate solutions, wastewater treatment solutions, waste gas absorbent and cobalt compound series products, and regeneration treatment of abort oxidation catalyst.	100.00 %	100.00 %	
Uranus Chemicals Co., Ltd. (Uranus Chemicals)	Jiangxi Tianjiang Materials Co., Ltd.	Manufacturing and sales of oxalic acid 、 organic and inorganic acid 、 rare earth compounds and related products	100 %	100 %	

Note 1: The changing in the percentage of its ownership for subsidiaries, please refer to to Note 6(6).

Note 2: The Group sold all its shareholding in Coremax Zhuhai Chemical Co., Ltd. in July 2021.



**Coremax Corporation and subsidiaries**  
**Notes to the Consolidated Financial Statements**

(iii) List of subsidiaries which are not included in the consolidated financial statements: None.

(4) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate 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, except for those differences relating to the following, which are recognized in other comprehensive income:

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

(ii) Foreign operations

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

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

The Group classifies an asset as current when any one of the following requirements is met. Assets that are not classified as current are non-current assets.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting date; or
- (iv) The asset is cash or cash equivalent except for the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

**Coremax Corporation and subsidiaries**  
**Notes to the Consolidated Financial Statements**

The Group classifies a liability as current when any one of the following requirements is met. Liabilities that are not classified as current are non-current liabilities.

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting date; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and checking deposits. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified 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. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

**Coremax Corporation and subsidiaries**  
**Notes to the Consolidated Financial Statements**

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable and other financial assets), debt investments measured at FVOCI and contract assets..

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

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

## **Coremax Corporation and subsidiaries**

### **Notes to the Consolidated Financial Statements**

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

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 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' "which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings".

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

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

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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. 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 amounts due.

#### 5) Derecognition of financial assets

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

## **Coremax Corporation and subsidiaries**

### **Notes to the Consolidated Financial Statements**

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

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

Debt and equity instruments issued by the 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.

##### 2) Equity instrument

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

##### 3) Treasury shares

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

##### 4) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in gain or loss. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

**Coremax Corporation and subsidiaries**  
**Notes to the Consolidated Financial Statements**

5) 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.

6) Derecognition of financial liabilities

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

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid is recognized in profit or loss.

7) 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.

(iii) Derivative financial instruments

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

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

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(9) Property, plant and equipment

(i) Recognition and measurement

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

**Coremax Corporation and subsidiaries**  
**Notes to the Consolidated Financial Statements**

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

- 1) Buildings: 4 to 60 years.
- 2) Machinery and equipment: 2 to 19 years.
- 3) Transportation Equipment: 4 to 7 years.
- 4) Other equipment: 3 to 11 years.
- 5) Buildings constitute mainly plant, buildings, mechanical and electrical power equipment, and related engineering, etc. Each constituent is depreciated based on its useful life, respectively.

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

(10) Leases

(i) Identifying a lease

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.

(ii) 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.



**Coremax Corporation and subsidiaries**  
**Notes to the Consolidated Financial Statements**

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:

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

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

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

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

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

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



## **Coremax Corporation and subsidiaries**

### **Notes to the Consolidated Financial Statements**

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, including printer and staff dormitory. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess whether all the rent concessions for all leased land occurring as a direct consequence of the COVID-19 pandemic are lease modifications or not.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(iii) As a lessor

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

(11) Intangible assets

(i) 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.

(ii) Subsequent expenditure

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

(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).

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

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

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

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

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

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

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

For other non-financial assets (excluding goodwill), 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.

(13) Revenue from contracts with customers

(i) Sale of goods

The Group researches, develops, produces, manufactures and sells various chemical catalyst products, cobalt compound products, oxalic acid products and electronic components, as well as batteries. The Group recognizes revenue when control of the products has 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.

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(ii) 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

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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(15) Share based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(16) Income tax

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the 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.

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(17) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on 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 dilutive potential ordinary shares, such as convertible bonds payable and employee remuneration that could be distributed in share.

(18) Operating segment information

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**

In preparation of the consolidated financial statements, management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimations.

Management continues to monitor the accounting estimations and assumptions. Management recognizes any changes in the accounting estimations during the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following:

(1) The loss allowance of notes and accounts receivables

The Group has estimated the loss allowance of notes and accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. Please refer to note 6(4) for the impairment evaluation of receivables.

(2) Valuation of Inventories

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgments and estimates to determine the net realizable value of inventory for obsolescence and unmarketable items at the reporting date. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated demands of the products within a specific time horizon in the future, therefore, the above estimation may have a significant change. Please refer to note 6(5) for further description of the valuation of inventories.

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Accounting policies and disclosures of the Group include the fair value measurement for financial or non-financial assets and liabilities. The Group determines the fair value using the independent data sources which reflect the current market condition and confirming the data available are independent, reliable, in consistent with other sources and represent the exercisable price. The Group also periodically assesses the evaluation model, performs retrospective tests, and updates inputs with any other necessary fair value adjustment for the evaluation model in order to ensure the reasonableness of the valuation.

The Group evaluates its assets and liabilities using the observable market inputs. The hierarchy of the fair value depends on the valuation techniques used, and the different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical 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 assets or liabilities that are not based on observable market data (unobservable inputs).

When there is a transfer between levels of the fair value hierarchy, the Group recognizes the transfer at the reporting date. For the assumptions used in fair value measurement, please refer to note 6(23) of the financial instruments.

**6. Explanation of significant accounts**

(1) Cash and cash equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash on hand	\$ 475	596
Demand deposits and checking accounts	1,879,030	700,268
Time deposits	2,693	3,064
	<b>\$ 1,882,198</b>	<b>703,928</b>

Please refer to note 6(23) for the disclosure of currency risk of the financial assets and liabilities.

(2) Financial assets at fair value through profit or loss

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Financial assets – non-current:		
Call and put option – convertible bonds payable	\$ 6,408	-

- (i) The Group uses derivative financial instruments to hedge the price fluctuations risk of raw materials due to fluctuations in international nickel market. As of December 31, 2021 and 2020, the futures trading of the Company has been settled. As of December 31, 2021, the outstanding futures contract margin amounting to \$30,864 was recorded as other financial assets – current. As of December 31, 2020, the outstanding futures contract margin amounting to \$28,658 was recorded as other financial assets – non-current.

**Coremax Corporation and subsidiaries**  
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(ii) The Company's net profit and loss (including realized and unrealized) from trading in derivative financial instruments in 2021 and 2020, please refer to note 6(22).

(3) Financial assets at fair value through other comprehensive income — non-current

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Non-current:		
Domestic unlisted stocks	\$ <b>37,000</b>	<b>49,203</b>

The purpose of these equity instruments is for long-term strategic investments and is not held for trading. As such, these instruments have been designated to be measured at fair value through other comprehensive income.

During the years of 2021 and 2020, the Group did not dispose any of its investment, thus, there were no transfer of accumulated profit and loss within the equity.

(4) Notes and accounts receivable, net

(i) Notes receivable, net:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Notes receivable from operating activities	\$ <b>14,874</b>	<b>51,332</b>

(ii) Accounts receivable, net:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accounts receivable	\$ 824,760	575,988
Less: loss allowance	(26,754)	(5,981)
	\$ <b>798,006</b>	<b>570,007</b>

The Group applies the simplified approach to provide for its loss allowance used for ECL, which permit the use of lifetime expected loss provision for all receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 801,808	0%	-
1 to 90 days past due	11,072	5%	-
91 to 180 days past due	-	20%	-
More than 181 days past due	-	100%	-
	\$ <b>812,880</b>		-



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	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 609,819	0%	-
1 to 90 days past due	11,650	5%	-
91 to 180 days past due	-	20%	-
More than 181 days past due	-	100%	-
	<b>\$ 621,469</b>		<b>-</b>

Note 1: As of December 31, 2021 and 2020, the accounts receivable is amounting for \$5,214 and \$5,981, respectively from Wintek Corporation have been fully provided with impairment losses.

Note 2: The accounts receivable amounting to \$21,540 from a single corporation have been fully provided with impairment losses in 2021.

Other receivables – related parties are not included in the above receivables, please refer to note 7 for details.

The movement in the loss allowance for notes and accounts receivable was as follows:

	<b>2021</b>	<b>2020</b>
Balance at beginning of period	\$ 5,981	5,981
Impairment losses recognized	21,796	-
Impairment losses reversal	(767)	-
Effect of exchange rate changes	(256)	-
Balance at end of period	<b>\$ 26,754</b>	<b>5,981</b>

(5) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Raw materials	\$ 1,254,304	455,208
Work in process	516,537	373,901
Finished goods and commodities	136,786	226,576
	<b>\$ 1,907,627</b>	<b>1,055,685</b>



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The components of operating costs were as follows:

	<b>2021</b>	<b>2020</b>
Cost of goods sold	\$ 6,434,593	4,815,695
Inventory devaluation loss (reversal gain)	(35,462)	(5,337)
Gain from sale of scrap	(3,713)	(462)
	<b>\$ 6,395,418</b>	<b>4,809,896</b>

As of December 31, 2021 and 2020, the Group's inventories were not pledged as collaterals.

(6) Changes in the Company's ownership interest in a subsidiary

(i) Acquisitions of Non-controlling interests (NCI)

In 2021 and 2020, the Company acquired additional shares from those employees that resigned from Uranus Chemicals for \$5,021 and \$295 in cash, respectively. As of December 31, 2021 and 2020, due to changes in its ownership, the Company's shareholding in Uranus Chemicals was 64.71% and 62.65%, respectively.

The effects of the changes in shareholdings were as follows:

	<b>2021</b>	<b>2020</b>
Carrying amount of NCI on acquisition	\$ 4,968	395
Consideration paid to NCI	(5,021)	(295)
Capital surplus differences between consideration and carrying amounts of subsidiaries shareholding acquired	<b>\$ (53)</b>	<b>100</b>

(ii) Issuance of new shares for cash by subsidiaries, not subscribed to proportionately, did not lose control.

The Uranus Chemicals Co., Ltd. issued 4,000 thousand new shares in May 2021, at a premium of \$27 per share, amounting to \$108,000, among which \$14,968 were invested by non-controlling interests. The Company did not subscribe according to the shareholding ratio, resulting in a decrease in capital surplus of \$4,287.

The Hengi Chemical Co., Ltd. issued 10,000 thousand new shares in February 2021, at a premium of \$35 per share, amounting to \$350,000, among which \$29,496 were invested by non-controlling interests. The Company did not subscribe according to the shareholding ratio, resulting in an increase in capital surplus of \$3,041. In addition, Hengi Chemical Co., Ltd. recognized that the compensation cost of the above-mentioned cash capital increase reserved for employees' subscription for shares, was \$430.

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(iii) Disposal of subsidiaries

Coremax (BVI) Corporation disposed Coremax Zhuhai Chemical Co., Ltd. in July 2021, and gain on disposal amounting to \$73,675. The net cash inflow from the disposal of the subsidiary is as follows:

Consideration transferred from the non-controlling interest	\$ 138,570
Less: cash and cash equivalents by subsidiaries	<u>(55,150)</u>
Net cash inflow	<u><u>\$ 83,420</u></u>

(7) Material NCI of subsidiaries

The material NCI of subsidiaries were as follows:

<u>Subsidiaries</u>	<u>Main operation place</u>	<u>Percentage of non-controlling interests</u>	
		<u>December 31, 2021</u>	<u>December 31, 2020</u>
Uranus Chemicals	Taiwan	35.29 %	37.35 %

The following information of the aforementioned subsidiaries have been prepared in accordance with the IFRSs endorsed by the FSC. Included in this information is the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intragroup transactions were not eliminated in this information.

Uranus Chemicals' summarized financial information:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 328,170	166,312
Non-current assets	1,740,581	1,635,328
Current liabilities	(339,176)	(303,816)
Non-current liabilities	<u>(331,986)</u>	<u>(373,093)</u>
Net assets	<u>\$ 1,397,589</u>	<u>1,124,731</u>
NCI	<u>\$ 460,609</u>	<u>463,058</u>
	<u>2021</u>	<u>2021</u>
Sales revenue	<u>\$ 526,594</u>	<u>228,424</u>
Net income	\$ 159,795	(69,567)
Other comprehensive income	<u>531</u>	<u>600</u>
Comprehensive income	<u>\$ 160,326</u>	<u>(68,967)</u>
Profit(loss), attributable to NCI	<u>\$ (25,787)</u>	<u>(17,551)</u>
Comprehensive income, attributable to NCI	<u>\$ (24,812)</u>	<u>(17,317)</u>
Net cash flows from operating activities	\$ (26,307)	59,270
Net cash flows used in investing activities	3,946	(304,050)
Net cash flows from financing activities	<u>155,596</u>	<u>145,259</u>
Net decrease in cash and cash equivalents	<u>\$ 133,235</u>	<u>(99,521)</u>
Pay to Uranus Chemicals' dividend	<u>\$ 3,316</u>	<u>3,696</u>

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

Other current assets:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Offset against business tax payable and business tax receivables	\$ 88,449	39,856
Other	<u>33,309</u>	<u>38,960</u>
	<u>\$ 121,758</u>	<u>78,816</u>

Other non-current assets:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other intangible assets	\$ 12,846	11,663
Prepaid equipment	180,119	48,045
Others	<u>4,402</u>	<u>7,194</u>
	<u>\$ 197,367</u>	<u>66,902</u>

(9) Other financial assets

Current:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Margin on futures contracts	\$ 30,864	-
Others	<u>19,094</u>	<u>1,892</u>
	<u>\$ 49,958</u>	<u>1,892</u>

Non-current:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Margin on futures contracts	\$ -	28,658
Refundable deposits	9,122	8,997
Restricted deposits	<u>103,340</u>	<u>3,340</u>
	<u>\$ 112,462</u>	<u>40,995</u>

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(10) Property, plant and equipment

	<u>Land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Prepaid Equipment and Construction in progress</u>	<u>Total</u>
Cost:							
Balance at January 1, 2021	\$ 1,663,215	1,384,542	2,138,177	43,561	323,426	254,740	5,807,661
Additions	11,319	80,354	106,240	3,138	29,677	225,796	456,524
Disposals and scrap	-	(23,796)	(93,084)	(3,218)	(13,709)	-	(133,807)
Reclassification and others	-	6,050	(42,199)	(333)	5,498	(50,057)	(81,041)
Effect of exchange rate changes	(799)	(2,743)	(8,481)	(557)	(58)	(130)	(12,768)
Balance at December 31, 2021	<u>\$ 1,673,735</u>	<u>1,444,407</u>	<u>2,100,653</u>	<u>42,591</u>	<u>344,834</u>	<u>430,349</u>	<u>6,036,569</u>
Balance at January 1, 2020	\$ 1,663,573	1,154,389	1,933,467	40,128	300,732	348,708	5,440,997
Additions	-	108,772	71,179	4,004	23,964	195,341	403,260
Disposals and scrap	-	(1,656)	(21,782)	(510)	(12,476)	-	(36,424)
Reclassification	-	121,920	155,530	(28)	11,104	(289,566)	(1,040)
Effect of exchange rate changes	(358)	1,117	(217)	(33)	102	257	868
Balance at December 31, 2020	<u>\$ 1,663,215</u>	<u>1,384,542</u>	<u>2,138,177</u>	<u>43,561</u>	<u>323,426</u>	<u>254,740</u>	<u>5,807,661</u>
Accumulated depreciation and impairment losses:							
Balance at January 1, 2021	\$ -	543,629	1,093,140	26,055	167,702	-	1,830,526
Depreciation for the period	-	109,373	143,199	5,122	24,742	-	282,436
Impairment loss	-	6,974	40,011	-	-	-	46,985
Disposals and scrap	-	(16,506)	(61,412)	(2,338)	(10,099)	-	(90,355)
Reclassification and others	-	-	(67,105)	(2,087)	(7,830)	-	(77,022)
Effect of exchange rate changes	-	(1,921)	(5,038)	(373)	(165)	-	(7,497)
Balance at December 31, 2021	<u>\$ -</u>	<u>641,549</u>	<u>1,142,795</u>	<u>26,379</u>	<u>174,350</u>	<u>-</u>	<u>1,985,073</u>
Balance at January 1, 2020	\$ -	454,373	966,638	21,688	155,477	-	1,598,176
Depreciation for the period	-	90,796	148,677	4,954	23,285	-	267,712
Disposals and scrap	-	(1,656)	(20,925)	(510)	(11,137)	-	(34,228)
Effect of exchange rate changes	-	116	(1,250)	(77)	77	-	(1,134)
Balance at December 31, 2020	<u>\$ -</u>	<u>543,629</u>	<u>1,093,140</u>	<u>26,055</u>	<u>167,702</u>	<u>-</u>	<u>1,830,526</u>
Carrying amounts:							
Balance at December 31, 2021	<u>\$ 1,673,735</u>	<u>802,858</u>	<u>957,858</u>	<u>16,212</u>	<u>170,484</u>	<u>430,349</u>	<u>4,051,496</u>
Balance at December 31, 2020	<u>\$ 1,663,215</u>	<u>840,913</u>	<u>1,045,037</u>	<u>17,506</u>	<u>155,724</u>	<u>254,740</u>	<u>3,977,135</u>
Balance at January 1, 2020	<u>\$ 1,663,573</u>	<u>700,016</u>	<u>966,829</u>	<u>18,440</u>	<u>145,255</u>	<u>348,708</u>	<u>3,842,821</u>

In July, Uranus Chemicals Co., Ltd assessed that the capacity utilization rates of certain production lines and ancillary equipment thereof declined because of changes in the supply of and demand for materials, thereby recognizing a loss of \$46,985.

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Hengi Chemical conducted asset revaluation in years 1975, 1981 and 2001, and provided a land value appreciation reserve of \$207,483 (accounted for deferred income tax liabilities). Uranus Chemicals conducted an asset revaluation in 2007 and the Company conducted land revaluation when it obtained Uranus Chemicals control in November 2014, and provided a land value appreciation reserve of \$70,856 (accounted for deferred income tax liabilities).

The property, plant and equipment of the Group pledged as collateral, please refer to note 8.

(11) Right-of-use assets

The Group leases many assets including land, buildings and transportation equipment. Information about leases for which the Group as a lessee was presented below:

	<u>Land use right</u>	<u>Buildings</u>	<u>Transportation equipment and others</u>	<u>Total</u>
Cost:				
Balance at January 1, 2021	\$ 38,110	1,066	18,533	57,709
Additions	-	1,876	5,995	7,871
Disposal/Write-off	(3,344)	(767)	(2,992)	(7,103)
Effect of exchange rate changes	(177)	-	-	(177)
Balance at December 31, 2021	<u>\$ 34,589</u>	<u>2,175</u>	<u>21,536</u>	<u>58,300</u>
Balance at January 1, 2020	\$ 37,724	1,066	16,599	55,389
Additions	-	-	3,729	3,729
Disposal/Write-off	-	-	(1,795)	(1,795)
Effect of exchange rate changes	386	-	-	386
Balance at December 31, 2020	<u>\$ 38,110</u>	<u>1,066</u>	<u>18,533</u>	<u>57,709</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2021	\$ 6,892	650	7,297	14,839
Depreciation for the year	1,278	388	5,441	7,107
Disposal/Write-off	(2,594)	(767)	(1,319)	(4,680)
Effect of exchange rate changes	(13)	-	-	(13)
Balance at December 31, 2021	<u>\$ 5,563</u>	<u>271</u>	<u>11,419</u>	<u>17,253</u>
Balance at January 1, 2020	\$ 5,541	325	4,378	10,244
Depreciation for the year	1,291	325	4,714	6,330
Disposal/Write-off	-	-	(1,795)	(1,795)
Effect of exchange rate changes	60	-	-	60
Balance at December 31, 2020	<u>\$ 6,892</u>	<u>650</u>	<u>7,297</u>	<u>14,839</u>
Carrying amount:				
Balance at December 31, 2021	<u>\$ 29,026</u>	<u>1,904</u>	<u>10,117</u>	<u>41,047</u>
Balance at December 31, 2020	<u>\$ 31,218</u>	<u>416</u>	<u>11,236</u>	<u>42,870</u>
Balance at January 1, 2020	<u>\$ 32,183</u>	<u>741</u>	<u>12,221</u>	<u>45,145</u>

**Coremax Corporation and subsidiaries**  
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(12) Short-term notes and bills payable

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Commercial paper payable	\$ <b>80,000</b>	<b>80,000</b>

As of December 31, 2021 and 2020, the interest rate are 1.038% , and a maturity date of January 2021 and January 2020, respectively.

(13) Long-term/Short-term borrowings

(i) Short-term borrowings:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Secured bank loans	\$ 1,806,362	1,012,702
Unsecured bank loans	100,000	526,264
	\$ <b>1,906,362</b>	<b>1,538,966</b>
Unused short-term credit lines	\$ <b>3,519,366</b>	<b>2,309,162</b>
Range of interest rates	<b>0.82%~1.26%</b>	<b>0.76%~3.04%</b>

For the collateral for short-term borrowings, please refer to note 8.

Please refer to note 6(23) for the disclosure of interest risk, currency risk and liquidity risk.

(ii) Long-term borrowings:

<b>Lender</b>	<b>Use</b>	<b>Maturity year and Repayment</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Chang Hwa Commercial Bank	Long-term secured bank loans	Effective from May 2015, repayable quarterly in 20 equal instalments.	\$ -	50,000
Chang Hwa Commercial Bank	Long-term working capital	Effective from January 2024, repayable monthly in 47 equal instalments.	80,000	80,000
Chang Hwa Commercial Bank	Machinery and equipment	Effective from January 2024, repayable monthly in 47 equal instalments.	41,310	41,310
Chang Hwa Commercial Bank	Building	Effective from Febuary 2024, repayable monthly in 83 equal instalments.	18,560	-
Chang Hwa Commercial Bank	Building	Effective from Febuary 2024, repayable monthly in 83 equal instalments.	45,090	-
Chang Hwa Commercial Bank	Machinery and equipment	Effective from January 2024, repayable monthly in 84 equal instalments.	28,970	-

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<u>Lender</u>	<u>Use</u>	<u>Maturity year and Repayment</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Chang Hwa Commercial Bank	Building	Effective from February 2024, repayable monthly in 83 equal instalments.	7,950	-
Chang Hwa Commercial Bank	Machinery and equipment	Effective from January 2024, repayable monthly in 84 equal instalments.	44,520	-
Chang Hwa Commercial Bank	Building	Effective from January 2024, repayable monthly in 84 equal instalments.	56,250	-
Chang Hwa Commercial Bank	Machinery and equipment	Effective from January 2024, repayable monthly in 84 equal instalments.	84,460	-
Chang Hwa Commercial Bank	Machinery and equipment	Effective from January 2024, repayable monthly in 84 equal instalments.	38,980	-
Chang Hwa Commercial Bank	Building	Effective from February 2024, repayable monthly in 83 equal instalments.	18,050	-
O-Bank	Working capital	From 2018 to 2033, first instalment is repayable 24 months after the first withdrawal date, with subsequent instalments in monthly basis, at a total of 157 equal instalments.	257,312	257,312
O-Bank	Working capital	From 2019 to 2026, effective from Junet 2022, repayable monthly in 49 equal instalments.	150,000	150,000
Mega Bank	Working capital	From 2019 to 2026, effective from Junet 2022, repayable monthly in 49 equal instalments.	250,000	250,000
Mega Bank	Machinery and equipment	From 2020 to 2026, effective from Junet 2022, repayable monthly in 49 equal instalments.	36,000	36,000
Less: Current portion of long term borrowings			(62,291)	(50,000)
			<u>\$ 1,095,161</u>	<u>814,622</u>
Unused long-term credit lines			<u>\$ 124,860</u>	<u>917,690</u>
Range of interest rates at year end			0.00%~	0.05%~
			<u>1.22%</u>	<u>1.50%</u>

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The Company signed a loan agreement with O-Bank and Mega Bank, Uranus Chemicals signed a loan agreement with O-Bank, agreeing with the covenants related to maintaining certain financial ratios. As of December 31, 2021 and 2020, both the Company and Uranus Chemicals were in compliance with the loan covenants.

The collateral of long-term borrowings, please refer to note 8.

(14) Convertible bonds

The Company issued the third domestic guaranteed convertible bond on October 28, 2021, by pledging 40,000 thousand ordinary shares of Hengi Chemical, 30,000 thousand ordinary shares of Uranus Chemicals Co., Ltd., and a demand deposit of \$100,000 to Chang Hwa Commercial Bank Co., Ltd., and Chang Hwa Commercial Bank Co., Ltd. was the guarantor. The relevant information of the Company's convertible corporate bonds is as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total proceeds from convertible corporate bonds issued	\$ 700,000	-
Less: issued corporate bonds discount	(21,472)	-
Corporate bonds payable balance at year-end	<b>\$ 678,528</b>	-
Embedded derivative – call and put options (recorded in financial assets at FVTPL–non-current)	<b>\$ 6,408</b>	-
	<b>2021</b>	<b>2020</b>
Interest expense	<b>\$ 783</b>	-

The Company's third domestic guaranteed convertible corporate bonds are five year guaranteed convertible bonds with zero coupon rate, each with value of \$100, amounting to \$700,000. The conversion price on December 31, 2021, was \$108.5.

The date on which the above mentioned convertible corporate bonds are issued for three years (October 28, 2024) shall be the base date for the holders of convertible corporate bonds to sell them back in advance.

The Company has separately recognized its rights and liabilities of the above-mentioned convertible bonds upon issuance. The details are as follows:

<b>Item</b>	<b>Amount</b>
Total amounts of convertible corporate bonds issued (deducting cost of issuing)	\$ 808,056
Fair value of embedded non-equity derivative issued	6,408
Fair value of bonds payable issued	(677,745)
Equity component – conversion options	<b>\$ 136,719</b>

After the separation of the above mentioned embedded derivatives, the effective interest rate of the third domestic guaranteed convertible bond was 0.65%.



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(15) Lease liabilities

The Group's lease liabilities were as follow:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current	<u>\$ 4,988</u>	<u>5,409</u>
Non-current	<u>\$ 12,801</u>	<u>12,517</u>

For the maturity analysis, please refer to note 6(23).

The amounts recognized in profit or loss was as follows:

	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	<u>\$ 246</u>	<u>289</u>
Expenses relating to short-term leases and leases of low-value assets	<u>\$ 1,334</u>	<u>820</u>
COVID-19-related rent concessions (recognized as other income)	<u>\$ 31</u>	<u>99</u>
Total cash outflow for leases	<u>\$ 7,776</u>	<u>6,295</u>

(i) Land and buildings leases

As of December 31, 2021 and 2020, the Group leases land and buildings for a period of 4 to 20 years, 4 to 45 years, respectively. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases vehicles and others, with lease terms of 1 to 6 years. In some cases, the Group has options to purchase the assets at the end of the contract term.

The Group also leases printers and staff dormitory with contract terms of 1 to 2 years. These leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(16) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligation and the fair value adjustments of the plan assets for the Company and domestic subsidiaries were as follow:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of the defined benefit obligation	<u>\$ 45,138</u>	<u>56,803</u>
Fair value of plan assets	<u>(50,204)</u>	<u>(63,560)</u>
	<u>\$ (5,066)</u>	<u>(6,757)</u>
Net defined benefit assets	<u>\$ 11,742</u>	<u>12,195</u>
Net defined benefit obligations	<u>\$ 6,676</u>	<u>5,438</u>

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The Company and domestic subsidiaries established defined benefit plans by contributed to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company and domestic subsidiaries allocate pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Fund, Ministry of Labor. Minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company and domestic subsidiaries' Bank of Taiwan labor pension reserve account balance amounting to \$50,204 at December 31, 2021. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Fund.

2) Movements in present value of defined benefit obligation

The movements in present value of the defined benefit obligation of the Company and domestic subsidiaries were as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit obligation at January 1	\$ 56,803	55,194
Current service cost and interest	724	800
Benefits paid from plan assets	(15,813)	(2,318)
Remeasurements of the net defined benefit liabilities	3,424	3,127
Defined benefit obligation as of December 31	<u>\$ 45,138</u>	<u>56,803</u>

3) Movements in the fair value of the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets of the Company and domestic subsidiaries were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 63,560	61,746
Contributions made	1,363	1,479
Interest income	501	656
Benefits paid from plan assets	(15,813)	(2,318)
Return on plan assets	593	1,997
Fair value of plan assets at December 31	<u>\$ 50,204</u>	<u>63,560</u>

**Coremax Corporation and subsidiaries**  
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4) Expenses recognized in profit or loss

The expenses recognized in profit or losses for the Company and domestic subsidiaries were as follows:

	<u>2021</u>	<u>2020</u>
Current service cost	\$ 284	281
Net interest on the net defined benefit liabilities	<u>(61)</u>	<u>(137)</u>
	<u>\$ 223</u>	<u>144</u>

5) Remeasurements of the net defined benefit liabilities recognized in other comprehensive income

The Company and domestic subsidiaries' remeasurements of the net defined benefit liabilities recognized as accumulated in other comprehensive income were as follows:

	<u>2021</u>	<u>2020</u>
Cumulative amount at January 1	\$ (7,735)	(6,605)
Recognized in profit (losses) for the period	<u>(2,830)</u>	<u>(1,130)</u>
Cumulative amount as of December 31	<u>\$ (10,565)</u>	<u>(7,735)</u>

6) Actuarial assumptions

The following are the Company and domestic subsidiaries' significant actuarial assumptions regarding the present value of the defined benefit obligation at the reporting date:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.55%~0.65%	0.75%~0.80%
Future salary increase rate	1.75%~3.50%	1.50%~3.50%

The Company and domestic subsidiaries are expecting a contribution of \$1,363 to its defined benefit plans in the following year, beginning December 31, 2021.

The weighted average lifetime of the defined benefit plan is 6.3~11.9 years.

7) Sensitivity analysis

The carrying amount of the Company and domestic subsidiaries' net defined benefit assets was \$5,066 as of December 31, 2021. When the employee's unpaid salary growth rate is changed by 1%, it is estimated that the accrued pension liabilities recognized by the Company and domestic subsidiaries would increase by \$2,090 or decrease by \$1,858, respectively.

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(ii) Defined contribution plans

In accordance with the provisions of the Labor Pension Act, the Company and domestic subsidiaries should contribute 6% of its employees' monthly wages to their labor pension personal accounts of the Bureau of Labor Insurance, Ministry of Labor (hereinafter referred to as the Bureau of Labor Insurance). Under this defined contribution plan, the Company and domestic subsidiaries contribute a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The total pension costs of the Group's overseas subsidiaries under their respective defined contribution plan are recognized in accordance with their local regulations.

The Group's pension costs under the defined contribution plan were \$11,712 and \$10,434 for the years ended December 31, 2021 and 2020, respectively.

(17) Income tax

(i) Income tax expense

	<u>2021</u>	<u>2020</u>
Current tax expense		
Current period	\$ 144,604	48,344
Adjustment for prior periods	(9,631)	(9,763)
	<u>134,973</u>	<u>38,581</u>
Deferred tax expense		
Origination and reversal of temporary differences	22,203	2,208
Income tax expense	<u>\$ 157,176</u>	<u>40,789</u>

The amount of income tax expense (benefits) recognized in other comprehensive income were as follows:

	<u>2021</u>	<u>2020</u>
Exchange differences on translation of foreign financial statements	\$ (4,443)	1,087

The reconciliation of income tax expenses and income before income tax were as follows:

	<u>2021</u>	<u>2020</u>
Income before income tax	\$ 605,596	206,434
Income tax at the Company's domestic tax rate	121,119	41,287
Effect of different tax rates in foreign jurisdictions	4,916	2,051
Permanent difference and others	39,831	7,081
Undistributed earnings additional tax	941	133
Change in provision in prior periods	(9,631)	(9,763)
Total	<u>\$ 157,176</u>	<u>40,789</u>

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B. Recognized deferred tax assets and liabilities

<u>Deferred tax assets</u>	<u>January 1, 2020</u>	<u>Recognized in income statement</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2020</u>	<u>Recognized in income statement</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2021</u>
Exchange differences on translation of foreign financial statements	\$ 6,133	-	1,087	5,046	-	(4,443)	9,489
Inventory devaluation loss	21,699	1,067	-	20,632	7,092	-	13,540
Pension not actually contributed	1,730	(4)	-	1,734	(17)	-	1,751
Impairment loss	8,586	170	-	8,416	377	-	8,039
Others	2,893	(8,874)	-	11,767	(8,535)	-	20,302
	<u>\$ 41,041</u>	<u>(7,641)</u>	<u>1,087</u>	<u>47,595</u>	<u>(1,083)</u>	<u>(4,443)</u>	<u>53,121</u>

  

<u>Deferred tax liabilities</u>	<u>January 1, 2020</u>	<u>Recognized in income statement</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2020</u>	<u>Recognized in income statement</u>	<u>Recognized in other comprehensive income</u>	<u>December 31, 2021</u>
Land Value Increment Tax	\$ 278,339	-	-	278,339	-	-	278,339
Investment income recognized under equity method	18,652	9,226	-	27,878	23,161	-	51,039
Others	939	623	-	1,562	125	-	1,687
	<u>\$ 297,930</u>	<u>9,849</u>	<u>-</u>	<u>307,779</u>	<u>23,286</u>	<u>-</u>	<u>331,065</u>

C. The Company's income tax returns for the years through 2019 were assessed by the tax authority.

(18) Capital and other equity

(i) Issuance and cancellation of ordinary shares

In the fourth quarter of 2021, the Company issued 4,000 thousand new shares for cash at a premium price of \$90 per share, totaling \$360,000. The difference between the denomination and the issuance price after deducting the issuance cost of \$1,000, amounted to \$319,000, which is listed as Capital surplus—premium, and the relevant statutory registration procedures have been completed.

In the fourth quarter of 2020, the Company's Board of Directors resolved to issued 10,000 thousand new shares for cash at a premium price of \$50 per share, totaling \$500,000. The difference between the denomination and the issuance price after deducting the issuance cost of \$1,150, amounted to \$398,850, which is listed as Capital surplus—premium, and the relevant statutory registration procedures have been completed in 2021.

In 2021, the Company recognized the share-based cost of the above-mentioned cash capital increase reserved for employees to subscribe for shares amounting to \$19,085.

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As of December 31, 2021 and 2020, the authorized capital of the Company both amounted to \$1,200,000; the issued capital amounted to \$1,070,293 and \$930,293, respectively. With par value at \$10 per share.

Reconciliations of shares outstanding to the Company were as follows (in thousands of shares):

	<b>Ordinary Shares</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	91,004	93,029
Issued for cash	14,000	-
Transferred treasury shares	600	-
Repurchased treasury shares	-	(2,025)
Balance at December 31	<b>105,604</b>	<b>91,004</b>

(ii) Capital surplus

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Additional paid-in capital	\$ 1,981,318	1,244,383
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries shareholdings	320,617	320,670
Treasury share transaction	70,101	-
Share options and others	213,631	38,200
	<b>\$ 2,585,667</b>	<b>1,603,253</b>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the ordinary share or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital share and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus should not exceed 10% of the total ordinary share outstanding.

(iii) Retained earnings

1) Legal reserve

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

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2) Special reserve

By choosing to apply exemptions granted under IFRS 1 during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments under shareholders' equity shall be reclassified as retained earnings at the transition date. The increase in retained earnings occurring before the transition date due to the first-time adoption of the IFRSs endorsed by the FSC amounted to \$20,277. The net increase in retained earnings resulting from the first application of IFRS1 on the transition date was \$16,830. In accordance with rules issued by the FSC, a net increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special reserve during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. There was no carrying and reversing in 2021 and 2020.

In accordance with the guidelines of the above Ruling, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current period reduction of special reserve resulting from the first-time adoption of the IFRSs endorsed by the FSC and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of the IFRSs endorsed by the FSC. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

According to the Company's articles of incorporation, in years of earnings, pay income tax, offset any accumulated deficit. Thereafter, a 10% appropriation of the remaining amount shall be set aside for legal reserve, unless the amount in the legal reserve is already equal to or greater than the total paid in capital. Thereafter, an amount shall be set aside or reversed as a special reserve in accordance with related laws, regulations, or provisions of the competent authorities. Distribution of the remaining earnings after setting aside the abovementioned amounts, together with the balance of the unappropriated retained earnings of the previous year, shall be proposed by the Board of Directors to be approved at the shareholders' meeting.

As the Company is still in its growth stage, capital is needed to expand its production lines and to increase its investment in the coming years. Recently, the Company has been developing steadily based on its capital expenditure, business expansion, and appropriate financial planning. The Company will allot more than 10% of its distributable earnings above as dividends to its shareholders. However, if the distributable earnings are less than 30% of the paid-in capital, then no dividend shall be distributed. If the Company simultaneously distributes stock dividends and cash dividends, the cash dividends should not be less than 20% of the total dividend payout to its shareholders.

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The following are the appropriation of earnings in last two years which were proposed by the Board of Directors on February 25, 2022 and approved during the shareholders' meeting held on July 5, 2021, respectively:

	2021		2020	
	Amount per share (TWD)	Total amount	Amount per share (TWD)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	3.0	\$ <u>316,813</u>	1.2	<u>121,205</u>

The appropriation of retained earnings for 2020 is consistent with the resolutions proposed by the Board of Directors. The appropriation of earnings distribution for 2021 will be presented for resolution in annual shareholders' meeting. The related information will be available on the Market Observation Post System on the website after the meeting.

(iv) Treasury stock

The Company repurchased treasury shares with 2,025 thousand shares, in accordance with the relevant provisions of the Securities and Exchange Law to transfer the shares to employees. The relevant information is as follows:

Reason for holding shares	2021			Number of shares at the end of the period
	Number of shares at the beginning of the period	Increased in this period	Transferred in this period	
Transferred shares to employees	2,025	-	600	1,425
Reason for holding shares	2020			Number of shares at the end of the period
Number of shares at the beginning of the period	Increased in this period	Transferred in this period		
Transferred shares to employees	-	2,025	-	2,025

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before the transfer. Shares of the Company held by its subsidiaries are accounted for as treasury shares, which are not allowed in participating in the Company's capital increase and without voting rights, except that, other right is the same as the general shareholders' rights.



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In November 2021, the Company transferred treasury shares to the employees of the Company and the employees of the subsidiary company with 166 thousand shares and 434 thousand shares, respectively. The amount received for the aforesaid transfer was \$53,837. Therefore, the recognized share-based compensation cost was \$17,100.

Uranus Chemicals holds 2,363 thousand and 3,013 thousand ordinary shares of the Company, with the acquisition price of \$17,595 and \$22,434, respectively. As of December 31, 2021 and 2020, the amount of deemed treasury shares the Company recognized was \$11,386 and \$14,048, respectively, which was determined based on the Company's shareholding in Uranus Chemicals of 64.71% and 62.65%, respectively.

Uranus Chemicals Co., Ltd. sold part of the Company's shares in 2021, at a price totaling \$91,782. Because the deal was deemed as the treasury stock transaction, according to the Company's shareholding ratio, the difference between the sale price and the cost of the treasury stock was adjusted to the capital surplus amounting to \$70,101.

(19) Earnings per share

	<u>2021</u>	<u>2020</u>
Basic earnings per share:		
Net income attributable to ordinary shareholders of the company	\$ <u>462,930</u>	<u>155,164</u>
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	<u>99,137</u>	<u>89,771</u>
Basic earnings per share (TWD)	\$ <u>4.67</u>	<u>1.73</u>
Diluted earnings per share:		
Net income attributable to ordinary shareholders of the Company (basic)	\$ 462,930	155,164
Interest expense on convertible bonds, net of tax	<u>626</u>	<u>-</u>
Net income attributable to ordinary shareholders of the Company (diluted)	\$ <u>463,556</u>	<u>155,164</u>
Weighted average number of ordinary shares outstanding (in thousands) (basic)	99,137	89,771
Effect of employee remuneration in share	73	159
Effect of conversion of convertible bonds	<u>1,149</u>	<u>-</u>
Weighted average number of ordinary shares outstanding (in thousands) (diluted)	<u>100,359</u>	<u>89,930</u>
Diluted earnings per share (TWD)	\$ <u>4.62</u>	<u>1.73</u>

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(20) Revenue from contracts with customers

Revenue from major markets region and products:

		2021					
		Oxidation catalyst department	Battery material department	Chemical fertilizer department	Specialty chemical department	Other	Total
	Taiwan	\$ 608,814	4,317,623	581,524	1,047,542	170,152	6,725,655
	China and other	548,455	3,423	-	1,571	59,679	613,128
		<b>\$ 1,157,269</b>	<b>4,321,046</b>	<b>581,524</b>	<b>1,049,113</b>	<b>229,831</b>	<b>7,338,783</b>
		2020					
		Oxidation catalyst department	Battery material department	Chemical fertilizer department	Specialty chemical department	Other	Total
	Taiwan	\$ 426,058	2,587,291	775,903	685,567	203,734	4,678,553
	China and other	476,527	-	-	1,041	129,244	606,812
		<b>\$ 902,585</b>	<b>2,587,291</b>	<b>775,903</b>	<b>686,608</b>	<b>332,978</b>	<b>5,285,365</b>

(21) Remuneration to employees, directors and supervisors

The Company's articles of incorporation require that earnings shall first be offset against any deficit, then, a minimum of 1.5% will be distributed as employee remuneration, and a maximum of 5% will be allocated as remuneration to directors and supervisors. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the Company's subsidiaries who meet certain specific requirements.

For the years ended December 31, 2021 and 2020, the Company accrued and recognized its employee remuneration amounting to \$8,800 and \$6,000, respectively. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees, multiplied by the distribution of ratio of the remuneration to employees based on the Company's articles of incorporation, and expensed under operating costs or expenses. If there would be any changes after the reporting date, the changes shall be accounted for as changes in accounting estimates and recognized as profit or lost in the following year. If, however, the shareholders determine that the employee remuneration is to be distributed through share, the number of shares to be distributed shall be calculated using the stock price on the day before the shareholders' meeting.

For the year ended December 31, 2020, the Company estimated its employee remuneration and directors' remuneration at \$6,000 and \$0, respectively. There were no differences between the estimated and the actual amounts of employee and directors' remuneration. Related information would be available at the Market Observation Post System website.

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(22) Non-operating income and expenses

(i) Other gains and losses, net

	<u>2021</u>	<u>2020</u>
Claim income	\$ 503	8,056
Rental income	9,606	10,497
Dividend income	8,622	2,874
Other	4,820	11,078
	<u>\$ 23,551</u>	<u>32,505</u>

(ii) Other gains and losses, net

	<u>2021</u>	<u>2020</u>
Loss on disposal of property, plant and equipment	\$ (72)	(910)
Disposal of investment interests	73,675	-
Loss on valuation of financial assets and liabilities at FVTPL	(5,052)	(7,211)
Impairment loss on property, plant and equipment (note 6(10))	(46,985)	-
Other	(3,164)	(3,757)
	<u>\$ 18,402</u>	<u>(11,878)</u>

(iii) Finance costs

	<u>2021</u>	<u>2020</u>
Interest expense – borrowings	\$ 23,341	18,798
Interest expense – lease liabilities	246	289
Interest expense – convertible bonds payable	783	-
	<u>\$ 24,370</u>	<u>19,087</u>

(iv) Interest income

	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ 1,237	2,477

(23) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represent the maximum credit exposure.

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2) Concentration of credit risk

The customers of the Group are concentrated on customer base of oxidation catalyst, power battery materials, chemical fertilizers and special chemicals. The Group limits its exposure to credit risk from accounts receivables by continuously evaluates the debt collectability and provides adequate reserves for loss allowance, if necessary. As of December 31, 2021 and 2020, there were 3 and 7 major customers, which represented 50% and 37% of the accounts receivable, respectively. Thus, credit risk is significantly concentrated.

3) Credit risk of receivables and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6(4). Other financial assets at amortized cost include other receivables from related parties and other financial assets. There are no impairment losses recognized for the years ended December 31, 2021 and 2020.

All of these financial assets are considered to have low risk, and thus, the loss allowance recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(7).

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, (including interest payments):

	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1 to 2 years</u>	<u>Above 2 years</u>
<b>December 31, 2021</b>						
Non-derivative financial liabilities						
Short-term notes and bills payable	\$ 80,000	80,000	80,000	-	-	-
Short-term borrowings	1,906,362	1,912,849	1,757,104	155,745	-	-
Notes and accounts payable	131,624	131,624	131,624	-	-	-
Payable on machinery and equipment	76,255	76,255	76,255	-	-	-
Long-term borrowing (including current portion of long-term borrowings)	1,157,452	1,184,133	11,153	55,605	110,947	1,006,428
Lease liabilities (including current and non-current)	17,789	18,590	2,924	2,240	3,466	9,960
Convertible bonds payable	<u>678,528</u>	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700,000</u>
	<b>\$ 4,048,010</b>	<b>4,103,451</b>	<b>2,059,060</b>	<b>213,590</b>	<b>114,413</b>	<b>1,716,388</b>
<b>December 31, 2020</b>						
Non-derivative financial liabilities						
Short-term notes and bills payable	\$ 80,000	80,000	80,000	-	-	-
Short-term borrowings	1,538,966	1,543,686	1,390,109	153,577	-	-
Notes and accounts payable	170,315	170,315	170,315	-	-	-
Payable on machinery and equipment	51,939	51,939	51,939	-	-	-
Long-term borrowing (including current portion of long-term borrowings)	864,622	896,293	52,535	2,262	66,804	774,692
Lease liabilities (including current and non-current)	17,926	18,894	3,030	2,615	3,740	9,509
	<b>\$ 2,723,768</b>	<b>2,761,127</b>	<b>1,747,928</b>	<b>158,454</b>	<b>70,544</b>	<b>784,201</b>

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

(iii) Currency risk

1) Exposure to currency risk

The Group's financial assets and liabilities exposed to exchange rate risk were as follows:

				<b>December 31, 2021</b>		
				<b>Foreign currency</b>	<b>Exchange rate</b>	<b>TWD</b>
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$	77,055		27.68		2,132,887
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD		46,938		27.68		1,299,254
				<b>December 31, 2020</b>		
				<b>Foreign currency</b>	<b>Exchange rate</b>	<b>TWD</b>
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$	30,535		28.48		869,628
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD		21,322		28.48		607,261

2) Sensitivity analysis

The Group's exposure to foreign current risk arises from the translation of cash and cash equivalents, receivables, short-term borrowing, accounts payable, and other payables, that are denominated in USD. Assuming all other variable factors remain constant, a strengthening (weakening) of \$1 of the TWD against USD as of December 31, 2021 and 2020, would have increased (decreased) the net income \$24,094 and \$7,370, respectively.

3) Exchange gains and losses of monetary items

Due to the variety of the functional currencies of the Group's entities, the Group's foreign exchange gains (losses)(including realized and unrealized portions) on monetary items amounted to \$2,403 and \$(13,885) for the years ended December 31, 2021 and 2020, respectively.

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(iv) Interest rate analysis

The Group's interest rate exposure regarding its financial assets and liabilities has been disclosed in the note of financial risk management.

The following sensitivity analysis is based on the exposure to interest rate risk of the derivative and non-derivative instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The exposure to changes in interest rates (assuming all other variables remain constant) would have influenced the comprehensive income for the years ended December 31, 2021 and 2020, as illustrated below:

	<u>Range of the fluctuations</u>	<u>2021</u>	<u>2020</u>
Annual interest rate	Increase of 1%	\$ <u>(24,511)</u>	<u>(19,229)</u>
	Decrease of 1%	\$ <u>24,511</u>	<u>19,229</u>

(vi) Fair value of financial instruments

1) Fair value hierarchy

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

		<u>December 31, 2021</u>			
		<u>Fair Value</u>			
	<u>Carrying amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial asset at fair value through profit or loss	\$ <u>6,408</u>	<u>-</u>	<u>6,408</u>	<u>-</u>	<u>6,408</u>
Financial assets at FVOCI	\$ <u>37,000</u>	<u>-</u>	<u>-</u>	<u>37,000</u>	<u>37,000</u>
Convertible bonds payable	\$ <u>678,528</u>	<u>1,060,500</u>	<u>-</u>	<u>-</u>	<u>1,060,500</u>
		<u>December 31, 2020</u>			
		<u>Fair Value</u>			
	<u>Carrying amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVOCI	\$ <u>49,203</u>	<u>-</u>	<u>-</u>	<u>49,203</u>	<u>49,203</u>

2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

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Financial assets and financial liabilities measured at amortized cost. If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation techniques for financial instruments that are measured at fair value

The right-of-call or put option that embedded in derivative is measured by using the appropriate option pricing models.

There is no transfer between the levels for the years ended 2021 and 2020.

4) Quantitative information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include financial assets at FVOCI (equity instrument investments). Quantitative information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at FVOCI ( equity instrument investments without an active market)	Market approach	<ul style="list-style-type: none"> <li>· Net worth ratio multiplier (December 31, 2021 and 2020, was 1.59 and 1.22, respectively.)</li> <li>· Liquidity discount (December 31, 2021 and 2020, was 30% and 20%, respectively)</li> </ul>	<ul style="list-style-type: none"> <li>· The higher the net worth ratio multiplier, the higher fair value.</li> <li>· The higher of liquidity discount, the lower fair value.</li> </ul>
Financial assets at FVOCI ( equity instrument investments without an active market)	Asset-based approach	<ul style="list-style-type: none"> <li>· Net asset</li> <li>· Liquidity discount (December 31, 2021 and 2020, was 30%)</li> </ul>	<ul style="list-style-type: none"> <li>· The higher the net asset ratio multiplier, the higher fair value.</li> <li>· The higher of liquidity discount, the lower fair value.</li> </ul>

5) Reconciliation of Level 3 fair values

	<u>Equity instrument investment at FVOCI</u>
January 1, 2021	\$ 49,203
Recognize through other comprehensive income	(12,203)
December 31, 2021	<u>\$ 37,000</u>
January 1, 2020	\$ 49,297
Additions	3,369
Recognize through other comprehensive income	(3,463)
December 31, 2020	<u>\$ 49,203</u>

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The above-mentioned total gains or loss included “unrealized gains and losses from equity instrument investments measured at FVOCI gains and losses”.

(24) Financial risk management

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and process for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

(i) Risk management framework

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The financial management department provides services for each business, coordinating access to domestic and international financial markets operations, monitors and manages the financial risks associated with the operations of the Group by analyzing the internal risk report on risk based on the degree and extent of the risk. The risk including credit risk, liquidity risk and market risk. The market risk which including currency risk, interest rate risk, and other market price risk.

(ii) 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. The Group deposits its cash and cash equivalents with reputable banks, thus, the credit risk is low.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Group limits its exposure to credit risk by establishing a dedicated team that is responsible for customer's credit assessment and approval, limit and monitoring procedures. This is to ensure that appropriate actions are taken for the recoverability of overdue receivables. In addition, the Group will review the recoverable amount of the receivables individually at each reporting date so that impairment losses are appropriately provided for those irrecoverable receivables.

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. There is no endorsement guarantee to entity other than subsidiary on December 31, 2021 and 2020.



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(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages and maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

(iv) Market risk

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

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the USD.

Interest in borrowing is denominated with the same currency of borrowing principal. Generally, the denominated currency of borrowing is the same with the Group's cash flow generated from operation, primarily in TWD, but also USD. Under these circumstances, the natural economic hedge exists without using derivative instrument.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Group's short-term and long-term borrowings are carried in variable interest rates. Therefore, the fluctuation of market rate will make the effective interest rate of short-term and long-term borrowings changed accordingly which resulted fluctuation in future cash flows.

(25) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder's value.

The Group's industry is volatile, capital and technology-intensive industries, and the Group's life cycle is in a stable growth stage of operation. The remaining dividend policy must be adopted at this stage with funds to retain the surplus in response to operational growth and investment needs. The cash dividend distributed by the shareholder bonus shall not be less than 20% of the total distribution.

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The top management of the Group re-examines the capital structure every six months, and its review includes consideration of the cost of each category of capital and related risks. Based on the recommendations of the top management, the Group will balance its overall capital structure by paying dividends, issuing new shares, buying back shares and issuing new debts or repaying old debts.

As of December 31, 2021, the way in which the Group's capital management was managed has not changed.

The debt-to-equity ratio at the reporting date is as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total liabilities	\$ 4,738,862	3,247,120
Less: cash and cash equivalents	<u>(1,882,198)</u>	<u>(703,928)</u>
Net debt	<b><u>\$ 2,856,664</u></b>	<b><u>2,543,192</u></b>
Total equity	<b><u>\$ 5,466,591</u></b>	<b><u>3,970,429</u></b>
Debt-to-equity ratio	<b><u>52.26%</u></b>	<b><u>64.05%</u></b>

(26) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Non-cash changes</b>		<b>December 31, 2021</b>
			<b>Additions</b>	<b>Foreign exchange movement and others</b>	
Short-term notes and bills payable	<u>\$ 80,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
Short-term borrowings	<u>\$ 1,538,966</u>	<u>375,898</u>	<u>-</u>	<u>(8,502)</u>	<u>1,906,362</u>
Long-term borrowings (including current portion)	<u>\$ 864,622</u>	<u>292,830</u>	<u>-</u>	<u>-</u>	<u>1,157,452</u>
Lease liabilities (including current and non-current)	<u>\$ 17,926</u>	<u>(6,196)</u>	<u>7,871</u>	<u>(1,812)</u>	<u>17,789</u>
			<b>Non-cash changes</b>		
	<b>January 1, 2020</b>	<b>Cash flows</b>	<b>Additions</b>	<b>Foreign exchange movement and others</b>	<b>December 31, 2020</b>
Short-term notes and bills payable	<u>\$ 230,000</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
Short-term borrowings	<u>\$ 1,025,468</u>	<u>510,887</u>	<u>-</u>	<u>2,611</u>	<u>1,538,966</u>
Long-term borrowings (including current portion)	<u>\$ 840,645</u>	<u>23,977</u>	<u>-</u>	<u>-</u>	<u>864,622</u>
Lease liabilities (including current and non-current)	<u>\$ 19,581</u>	<u>(5,285)</u>	<u>3,729</u>	<u>(99)</u>	<u>17,926</u>

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**7. Related-party transactions**

- (1) Names and relationship with related parties

Name of related party	Relationship with the Company
ITOCHU CORPORATION	Director of the Company (Note)

Note: ITOCHU CORPORATION, who has transferred more than half of its holding interest in the Company during its term at the office as a director, had been discharged from its position on February 20, 2020.

- (2) Significant related-party transactions

- (i) Operating revenue

	2021	2020
Director of the Company	\$ -	1,440

The selling prices for sales to related parties and collection period were similar to those for unrelated customers.

As of December 31, 2020, the Group's accounts receivable due from related parties as a result of sales amounted to \$130.

- (ii) Other

As of December 31, 2020, other receivables from related parties as a result of certain amounts paid on behalf of related parties under normal courses of business, amounted to \$22 .

- (3) Transactions with key management personnel

Key management personnel remuneration comprised:

	2021	2020
Short-term employee benefits	\$ 26,201	19,673
Post-employment benefits	372	251
	\$ 26,573	19,924

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**8. Pledged assets**

Except for notes 6(13) and 6(14), the carrying amount of the Group's pledged assets are as follows:

<u>Assets</u>	<u>Purpose of pledge</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	Long- and short-term borrowings and obtaining credit limit for short-term borrowings	\$ 1,340,105	1,340,105
Buildings	Long- and short-term borrowings and obtaining credit limit for short-term borrowings	170,115	160,773
Machinery and Equipment	Long- and short-term borrowings	265,673	362,281
Time deposits (recorded in other financial assets – non-current)	Long-term borrowings	1,840	1,840
Restricted deposit (recorded in other financial assets – non-current)	Create a pledge of convertible bonds payable	100,000	-
		<u>\$ 1,877,733</u>	<u>1,864,999</u>

**9. Commitments and contingencies**

Except for the note 6(13), the remaining statements were as follow:

- (1) As of December 31, 2021 and 2020, the Group had acquired property, plant and equipment, with the remaining commitments of \$163,645 and \$228,600, respectively.
- (2) As of December 31, 2021 and 2020, the outstanding letters of credit were USD0 and USD435, respectively. As of December 31, 2021 and 2020, the subsidiary, Coremax (BVI) Corporation, had applied for a borrowing facility with an amount of USD3,000 (equivalent to \$83,040 and \$85,440, respectively) from a bank, in which the Company holds the responsibility as its joint guarantor.
- (3) As of December 31, 2021, Uranus Chemical applied for a financing amount from a bank, with the Company serving as the joint guarantor for the endorsement/guarantee amounting to \$120,000.

**10. Losses due to major disasters: None**

**11. Subsequent events: None**

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**12. Other**

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

By function	2021			2020		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
<b>By item</b>						
Employee benefits						
Salaries	223,854	136,706	360,560	185,840	97,800	283,640
Labor and health insurance	21,937	10,498	32,435	18,583	7,754	26,337
Pension	8,475	3,497	11,972	7,549	3,029	10,578
Others	15,060	6,235	21,295	11,520	4,994	16,514
Depreciation	266,946	22,597	289,543	253,046	20,996	274,042

**13. Other disclosures:**

(1) Information on significant transactions:

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

- (i) Loans to other parties: Please refer to Table 1.
- (ii) Guarantees and endorsements for other parties: Please refer to Table 2.
- (iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 4.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: Please refer to note 6(2).
- (x) Business relationships and significant intercompany transactions: Please refer to Table 5.

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- (2) Information on investees: Please refer to Table 6.
- (3) Information on investment in mainland China:
- (i) The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 7(1).
- (ii) Limitation on investment in Mainland China: Please refer to Table 7(2).
- (iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of parent-company-only financial statements, are disclosed in “Information on significant transactions”.

- (4) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
CHANG XING INVESTMENT CO., LTD		13,691,032	12.79 %
CHEH JADE ENTERPRISE CO., LTD		13,233,929	12.36 %

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.

Note 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 Public Information Observatory.

**14. Segment information**

- (1) General information and industrial information

The reportable segments are the Group's strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies.

The Group did not allocate the head office management expenses, income tax expenses and non-recurring gains and losses to respective reportable segments. The amount presented is consistent with the report used by the chief operating decision maker. The accounting policies of the operating segments are consistent with the summary of the significant accounting policies described in note 4.

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	<b>2021</b>						
	<u>Oxidation catalyst department</u>	<u>Battery material department</u>	<u>Chemical fertilizer department</u>	<u>Specialty chemical department</u>	<u>Other</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
External revenue	\$ 1,157,269	4,321,046	581,524	1,049,113	229,831	-	7,338,783
Inter-segment revenue	879	41,524	-	25,942	640,655	(709,000)	-
Segment revenue	<u>\$ 1,158,148</u>	<u>4,362,570</u>	<u>581,524</u>	<u>1,075,055</u>	<u>870,486</u>	<u>(709,000)</u>	<u>7,338,783</u>
Segment operating income							<u>\$ 943,365</u>

  

	<b>2020</b>						
	<u>Oxidation catalyst department</u>	<u>Battery material department</u>	<u>Chemical fertilizer department</u>	<u>Specialty chemical department</u>	<u>Other</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
External revenue	\$ 902,585	2,587,291	775,903	686,608	332,978	-	5,285,365
Inter-segment revenue	44,431	3,587	-	37,399	306,904	(392,321)	-
Segment revenue	<u>\$ 947,016</u>	<u>2,590,878</u>	<u>775,903</u>	<u>724,007</u>	<u>639,882</u>	<u>(392,321)</u>	<u>5,285,365</u>
Segment operating income							<u>\$ 475,469</u>

(2) Information by product and service

Revenue from external customers:

	<u>2021</u>	<u>2020</u>
Battery materials	\$ 4,321,046	2,587,291
Oxidation catalysts	1,157,269	902,585
Chemical fertilizers	581,524	775,903
Specialty chemicals	1,049,113	686,608
Others	229,831	332,978
	<u>\$ 7,338,783</u>	<u>5,285,365</u>

(3) Geographic information

In presenting information on the basis of geography, segment revenue is recognized based on the location of the customer and non-current assets are recognized based on the location of the asset.

A. Revenue from external customers:

<u>Area</u>	<u>2021</u>	<u>2020</u>
Taiwan	\$ 6,725,655	4,678,553
China and other	613,128	606,812
	<u>\$ 7,338,783</u>	<u>5,285,365</u>

**Coremax Corporation and subsidiaries**  
**Notes to the Consolidated Financial Statements**

B. Non-current assets (note):

Area	December 31, 2021	December 31, 2020
Taiwan	\$ 4,078,820	3,850,780
China and other	193,844	217,270
	<b>\$ 4,272,664</b>	<b>4,068,050</b>

Note: It includes property, plant and equipment, right-of-use assets, prepayment for purchase equipment and so on.

(4) Information on major customers:

For the years ended December 31, 2021 and 2020, the revenue generated from customers with 5% or more of the Group's revenue were \$4,081,724 and \$2,785,573, respectively.



**Coremax Corporation and Subsidiaries**  
**Loans to other parties**  
**For the year ended December 31, 2021**

Table 1

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 4)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad deb	Collateral		Individual funding limits (Note 2)	Maximum limit of fund financing (Note 1)
													Item	Value		
0	Coremax Corporation	Uranus Chemicals Co., Ltd.	Other receivables	Yes	50,000	-	-	1.20%	2	-	Operating demand	-	None	-	944,199	1,416,299
1	COREMAX (BVI) CORPORATION	Coremax Ningbo Chemical Co., Ltd.	Other receivables	Yes	22,828	22,144	-	4%	2	-	Operating demand	-	None	-	115,601	173,402
1	COREMAX (BVI) CORPORATION	COREMAX (THAILAND) CO., LTD.	Other receivables	Yes	22,828	22,144	15,224	4%	2	-	Operating demand	-	None	-	115,601	173,402
1	COREMAX (BVI) CORPORATION	Coremax (Zhangzhou) Chemical co., Ltd.	Other receivables	Yes	28,535	27,680	-	4%	2	-	Operating demand	-	None	-	115,601	173,402
2	Coremax Ningbo Chemical Co., Ltd.	Coremax (Zhangzhou) Chemical co., Ltd.	Other receivables	Yes	17,536	17,376	-	4%	2	-	Operating demand	-	None	-	34,242	51,363
3	Coremax Zhubai Chemical co., Ltd	Coremax (Zhangzhou) Chemical co., Ltd.	Other receivables	Yes	13,152	-	-	4%	2	-	Operating demand	-	None	-	-	-
4	Jiangxi Tianjiang Materials Co., Ltd.	Coremax (Zhangzhou) Chemical co., Ltd.	Other receivables	Yes	10,960	10,860	10,860	4%	2	-	Operating demand	-	None	-	13,038	16,298
5	Coremax (Zhangzhou) Chemical co., Ltd.	Coremax Ningbo Chemical Co., Ltd.	Other receivables	Yes	17,376	17,376	-	4%	2	-	Operating demand	-	None	-	49,298 (Note 3)	73,946 (Note 3)

Note1: Limit of total financing amount shall not exceed 30% of latest financial statements of the lender's capital.

Note2: Limit of financing amount for individual counter-party shall not exceed 20% of the latest financial statements of the lender's capital.

Note3: Limit of total financing amount shall not exceed 100% of latest financial statements of the lender's capital. Limit of financing amount for individual counter-party shall not exceed 80% of the latest financial statements of the lender's capital.

Note4: (1) Parties which have business relationship with the Company

(2) The need for short-term financing

**Coremax Corporation and Subsidiaries**  
**Guarantees and endorsements for other parties**  
**For the year ended December 31, 2021**

Table 2

(Amounts in Thousands)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 4)	Highest balance of guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Coremax (BVI) Corporation	2	944,199	85,605	83,040	-	-	1.76 %	2,360,498	Y	N	N
0	The Company	Uranus Chemicals	2	944,199	200,000	200,000	50,000	-	4.24 %	2,360,498	Y	N	N

Note 1: The numbers denote the following:

- (1) The issuer is number 0.
- (2) Investees are listed in accordance with names and in sequential order starting with 1.

Note 2: The relation between guarantor and guarantee and their endorsement should be disclosed as one of the following:

- (1) An entity that is with business relationship.
- (2) Subsidiary which owned more than 50 percent by the guarantor.
- (3) An investee owned more than 50 percent in total by both the guarantor and its subsidiary.
- (4) An investee owned more than 90 percent by the guarantor or its subsidiary.
- (5) Fulfillment of contractual obligations by providing mutual endorsements and guarantor for peer or joint builders in order to undertake a construction project.
- (6) An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.
- (7) The companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for per-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The total amount for guarantees and endorsements provided by the Company to other entities shall not exceed 50% of latest financial statements of the Company's net worth audited.

Note 4: The total amount for guarantees and endorsements provided by the Company to any individual entity shall not exceed 20% of latest financial statements of the Company's net worth audited.

**Coremax Corporation and Subsidiaries**

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

**December 31, 2021**

Table 3

(Shares in Thousands /Amounts in Thousands)

Name of holder	Category and name of security	Relationship with company	Account title	Shares (thousands)	Ending balance			Highest percentage of ownership (%)	Note
					Carrying value	Percentage of ownership	Fair value		
Hengi Chemical	ORGCHEM TECHNOLOGIES, INC.	The chairman of Hengi Chemical is the director of ORGCHEM.	Non-current financial assets at fair value through other comprehensive income	2,873	33,631	5.00 %	33,631	5.00 %	
Uranus Chemicals Co., Ltd.	HSINCHU GOLF COUNTRY CLUB Co., Ltd	None	Non-current financial assets at fair value through other comprehensive income	3	3,369	-	3,369	-	%

## Coremax Corporation and Subsidiaries

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

For the year ended December 31, 2021

Table 4

(Amounts in Thousands)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of Total Purchases/Sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total Notes/Accounts Receivable (Payable)	
The Company	Coremax (Zhangzhou) Chemical Co., Ltd.	100% owned subsidiary of the parent company	Sales	(165,121)	(2.80) %	Net 180 days after delivery	-	Not significantly different	39,520	6.59 %	Note
The Company	Uranus Chemicals	Subsidiary of the company	Sales	(278,970)	(4.74) %	Net 120 days from the end of the month of when invoice is issued	-	Not significantly different	112	0.02 %	Note

Note: The relevant transactions and ending balance are eliminated in consolidated financial statement.

**Coremax Corporation and Subsidiaries**  
**Business relationships and significant intercompany transactions**  
**For the year ended December 31, 2021**

Table 5

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Uranus Chemicals Co., Ltd	The parent company to the subsidiary.	Sales	278,970	Net 120 days after delivery	4 %
0	The Company	Coremax (Zhangzhou) Chemical Co., Ltd.	The parent company to the subsidiary.	Sales	165,121	Net 180 days after delivery	2 %
0	The Company	Coremax Ningbo Chemical Co., Ltd.	The parent company to the subsidiary.	Sales	61,134	Net 150 days after delivery	1 %
0	The Company	COREMAX (THAILAND) CO., LTD.	The parent company to the subsidiary.	Sales	65,593	Net 90 days after delivery	1 %
1	Uranus Chemicals Co., Ltd	Coremax Corporation	The subsidiary company to the parent.	Sales	72,682	Net 60 days after delivery	1 %

**Coremax Corporation and Subsidiaries**  
**Information on Investees (Excluding Information on Investees in Mainland China)**  
**For the year ended December 31, 2021**

Table 6

(Shares in Thousands /Amount in Thousands)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest percentage of ownership during the year (%)	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Coremax (BVI) Corporation	British Virgin Islands	Investment company	302,406	302,406	9,658	100 %	578,006	100 %	124,488	124,488	Note
The Company	Hengi Chemical Co., Ltd.	Taiwan	Manufacturing and sales of chemical fertilizers, chemical raw materials, organic fertilizer and fertilizers with organic matter. Import and export of related business. Recycling and reproduce of solvent and pollutants.	1,143,369	823,294	41,058	82.44 %	1,511,974	82.44 %	98,784	80,720	Note
The Company	Uranus Chemicals Co., Ltd.	Taiwan	Manufacturing and sales of oxalic acid, organic and inorganic acid, rare earth compounds and related products	710,758	612,706	36,239	64.71 %	864,886	64.71 %	159,795	(44,698)	Note
Coremax (BVI) Corporation	Coremax (Thailand) Co., Ltd.	Thailand	Manufacturing and processing of pure terephthalic acid oxidation catalyst, sodium carbonate solutions, wastewater treatment solutions, exhaust gas absorbent and cobalt compound series products.	67,047	67,047	70	100 %	61,441	100 %	14,616	14,616	Note

Note: The relevant transactions and ending balance are eliminated in consolidated financial statement.

**Coremax Corporation and Subsidiaries**  
**Information on Investment in Mainland China**  
**For the year ended December 31, 2021**

Table 7

(Amounts in Thousands)

(1) The names of investees in Mainland China, the main businesses and products, and other information

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership during the year	Investment income (losses) (Notes 4, 5)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Coremax Zhuhai Chemical Co., Ltd.	Production and sales of oxidation catalysts, sodium carbonate solutions, wastewater treatment solutions, exhaust gas absorbents and cobalt compound series products.	38,775 (USD1,150)	Investment in companies in Mainland China through investment companies in the third regions.	38,775 (USD1,150)	-	-	38,775 (USD1,150)	(5,023) (Note 3)	-	-%	(5,023) (USD178)	- (Note 3)	-
Coremax Ningbo Chemical Co., Ltd.	Manufacturing and processing of pure terephthalic acid oxidation catalyst, sodium carbonate solutions, wastewater treatment solutions, exhaust gas absorbent and cobalt compound series products.	98,482 (USD3,000)	Investment in companies in Mainland China through investment companies in the third regions. (note 1)	81,240 (USD2,470)	-	-	81,240 (USD2,470)	6,337	100.00%	100.00%	6,337 (USD226)	171,209	-
Coremax (Zhangzhou) Chemical Co., Ltd.	Manufacturing, processing and wholesale of pure terephthalic acid oxidation catalyst, sodium carbonate solutions, wastewater treatment solutions, waste gas absorbent and cobalt compound series products, and regeneration treatment of abort oxidation catalyst.	185,654 (USD6,280)	Investment in companies in Mainland China through investment companies in the third regions. (note 2)	148,795 (USD4,988)	-	-	148,795 (USD4,988)	66,985	100.00%	100.00%	66,985 (USD2,392)	246,488	-
Jiangxi Tianjiang Materials Co., Ltd.	Manufacturing and sales of oxalic acid, organic and inorganic acid, rare earth compounds and related products	43,947 (USD1,350)	Uranus Chemical invest companies in Mainland China	43,947 (USD1,350)	-	-	43,947 (USD1,350)	(560)	100.00%	100.00%	(560)	16,298	-



(2) Limitation on investment in Mainland China

Cumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 5)
312,757 (USD 9,958 )	476,490 (USD 14,338 )	2,832,598

Note 1: The paid-up capital amount is NTD 98,482 (USD 3,000 thousand), which included the cash remitted by the Company through its subsidiary, Coremax (BVI) Corporation amounting to NTD 81,240 (USD 2,470 thousand) and surplus from Coremax (BVI) Corporation amounting to NTD 17,242 (USD 530 thousand).

Note 2: The paid up capital amount is NTD 185,654 (USD 6,280 thousand), which included the cash remitted by the Company through its subsidiary, Coremax (BVI) Corporation, amounting to NTD 124,097 (USD 4,200 thousand), surplus from Coremax (BVI) Corporation amounting to NTD 6,055 (USD 200 thousand), Coremax (BVI) Corporation acquired of shares from other external shareholders amounting to NTD 24,698 (USD 788 thousand) in obtaining paid up capital of NTD 21,890 (USD 750 thousand), cash remitted by Coremax Zhuhai Chemical Co., Ltd. is amounting to NTD 20,720 (USD 700 thousand), and cash remitted by Coremax Ningbo Chemical Co., Ltd. Is amounting to NTD 12,892 (USD 430 thousand).

Note 3: Coremax Zhuhai Chemical Co., Ltd., an indirectly invested subsidiary by the Company, has been sold to the third party in July 2021. In September 2021, the Company obtained the approval of the Investment Commission, MOEA to transfer the stocks. However, the transfer amount is repatriated to the subsidiary COREMAX (BVI) CORPORATION, instead of the Company. The Company's cumulative investment of NTD 38,775(USD 1,150 thousand) still needs to be included in the cumulative amount of investments from Taiwan to China according to the regulations of the Investment Commission, MOEA.

Note 4: Amount was recognized based on the audited financial statement.

Note 5: The Company investment in Mainland China pursuant to "Principle of investment or Technical Cooperation in Mainland China" is not exceeding the investment amount or percentage limit.

Note 6: The relevent transactions and ending balance are eliminated in consolidated financial statment.