

**CHUNG HWA CHEMICAL INDUSTRIAL  
WORKS. LTD. AND SUBSIDIARIES**

**Consolidated Financial Statements and  
Independent Auditors' Report**

**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Address: No.15, Gongye 5th Rd., Guanyin Dist., Taoyuan City  
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**CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD. AND SUBSIDIARIES**  
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## Representation Letter of Consolidated Financial Statements of Affiliated Enterprises

In 2022 (from January 1, 2022 to December 31, 2022), the companies that shall be included in the consolidated financial statements of affiliated enterprises in accordance with Criteria Governing Preparation of Affiliation Report, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are identical with those companies according to IFRS 10 Consolidated Financial Statements. The relevant information to be disclosed in the consolidated financial statements of affiliated enterprises has been disclosed in the previous consolidated financial statements of parent and subsidiary companies, so no separate consolidated financial statements of affiliated enterprises are prepared.

Very truly yours,

Company Name: Chung Hwa Chemical Industrial Works. Ltd.

Chairman: Wen-Yuan Kan

February 22, 2023

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Chung Hwa Chemical Industrial Works. Ltd.:

### **Opinion**

We have audited the accompanying financial statements of Chung Hwa Chemical Industrial Works. Ltd. and its subsidiaries, which comprise the consolidated balance sheets for the year ended December 31, 2022 and 2021, and the consolidated statements of comprehensive income for the year ended December 31, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the years then ended, and the consolidated notes to the 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 Company as of December 31, 2022 and 2021, 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 the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. 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 Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the year ended December 31, 2022. 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.

Key audit matters for the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2022 are stated as follows:

### Appropriateness of cutoff on the sales revenue

#### Key audit matters description

Please refer to Note IV(XVI) to the consolidated financial statements for accounting policies related to income recognition and refer to Note VI(XXII) to the consolidated financial statements for accounting item description.

The Company's net operating revenue was NTD2,306,669 thousand in 2022 - product sales was major revenue source. As per IFRS 15 Revenue from Contracts with Customers, the product sales revenue was recognized upon satisfaction of performance obligations, other than the delivery condition specifying that the revenue is recognized when the goods leave the plant, it means that the performance obligation will be met at different time points, resulting in the risk that the revenue recognized near the end of the reporting period may not be recorded in the correct period. Therefore, we included the appropriateness of cut-off on sales revenue of the Company as one of the key areas of focus for this year.

#### Response to the audit procedures

The procedures that we have conducted in respond to the above appropriateness of cut-off on sales revenue are summarized as follows:

1. To understand and evaluate the effectiveness of the design and implementation of internal control over the time point of the product sales revenue recognized.
2. To perform cut-off tests on sales revenue transactions for the period immediately preceding or following the end of the financial reporting period, including the inspection of supporting documents and contract conditions, and review whether the products of recognized revenue had met the contract performance obligations.
3. To perform the balance confirmation that the accounts receivable as of the end of the financial reporting period to confirm that the accounts receivable and sales revenue are recorded in the correct period to meet the point of revenue recognition.

### Appropriateness of provision for depreciation of property, plant and equipment

#### Key audit matters description

Please refer to Note IV(IX) to the consolidated financial statements for accounting policies related to depreciation of property, plant and equipment; and refer to Note VI(VII) to the consolidated financial statements for accounting item description.

As of December 31, 2022, Chung Hwa Chemical Industrial Works. Ltd. and its subsidiaries had NTD1,465,215 thousand property, plant and equipment, accounted for 51.32% of total consolidated assets. Pursuant to IAS 16 Property, Plant and Equipment, provision for depreciation of property, plant and equipment begins when they are available for use. Due to the significant amount of capital expenditure of Chung Hwa Industrial Works. Ltd. and its subsidiaries, the appropriateness of provision for depreciation will have a significant impact on the financial performance of Chung Hwa Industrial Works. Ltd. and its subsidiaries. Therefore, we included the appropriateness of provision for depreciation of property, plant and equipment as one of the key areas of focus for this year.

#### Response to the audit procedures

The procedures that we have conducted in respond to the above appropriateness of provision for depreciation of property, plant and equipment are summarized as follows:

1. To understand the conditions for depreciation assets to be available for use and relevant accounting treatment.
2. To understand and evaluate the effectiveness of the internal control and implementation of the time point of the provision for depreciation.
3. To check whether the time point of assets to be available for use is appropriate and the provision for depreciation begins appropriately.
4. To check the justification for unfinished works and equipment that are unavailable for use.

#### **Other matter**

We have also audited the parent company only financial statements of Chung Hwa Chemical Industrial Works. Ltd. as year of and for the years ended December 31, 2022 and 2021 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 the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries 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 Company and its subsidiaries' 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 contained in the consolidated financial statements. Misstatements may be a result of fraud or error. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards, 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 Company and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its subsidiaries' 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 Company and its subsidiaries 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.

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 Company and its subsidiaries for the year ended December 31, 2022 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.

PKF Taiwan

CPA: Ching-Hsien Hsu

CPA: Po-Yen Hsu

Securities and Futures Bureau, Financial Supervisory Commission

Approval No.: Jin-Guan-Zheng-Shen-Zi No.1010008743

Approval No.: (90) Tai-Zai-Zheng (Liu) No.145560

February 22, 2023

Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*



(Expressed in Thousands of New Taiwan Dollars)

(Please refer to Notes to Consolidated Financial Statements, Schedules and Auditors' Report)

**Accounting Manager: Chih-Ming Chou**

**CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in Thousands of New Taiwan Dollars)  
(Excluding earnings per share in NTD)

Code	Item	Note	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	VI(XXII), VII(II)	\$ 2,306,669	100.00	2,012,931	100.00
5000	Operating costs	VI(V)	(2,024,723)	(87.78)	(1,640,333)	(81.49)
5900	Gross profit from operations		281,946	12.22	372,598	18.51
6000	Operating expenses					
6100	Total selling expenses		143,866	6.24	125,972	6.26
6200	Total administrative expenses		49,473	2.14	58,925	2.93
6300	Total research and development expenses		23,390	1.01	28,368	1.41
6450	Expected credit gain and loss	VI(III)	(992)	(0.04)	(189)	(0.01)
	Total operating expenses		(215,737)	(9.35)	(213,076)	(10.59)
6900	Net operating income		66,209	2.87	159,522	7.92
7000	Non-operating income and expenses					
7100	Total interest income	VI(XXIII)	138	0.01	210	0.01
7010	Other income	VI(XXIV)	3,424	0.15	10,285	0.51
7020	Other gains and losses	VI(XXV)	2,931	0.12	55	-
7050	Finance costs	VI(XXVI)	(7,701)	(0.33)	(4,619)	(0.23)
	Total non-operating income and expenses		(1,208)	(0.05)	5,931	0.29
7900	Profit before tax		65,001	2.82	165,453	8.21
7950	Income tax expenses	VI(XVIII)	(18,100)	(0.79)	(31,200)	(1.55)
8000	Net profit from continuing operations		46,901	2.03	134,253	6.66
8100	Gains from discontinuing operation	VI(VI)	80,219	3.48	73,772	3.67
8200	Profit		127,120	5.51	208,025	10.33
8300	Other comprehensive income					
8310	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Remeasurement of defined benefit obligation	VI(XVII)	2,234	0.10	1,526	0.08
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	VI(XVIII)	(447)	(0.02)	(305)	(0.02)
	Total components of other comprehensive income that will not be reclassified to profit or loss		1,787	0.08	1,221	0.06
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign financial statements		773	0.03	556	0.03
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	VI(XVIII)	-	-	-	-

	Total components of other comprehensive income that will be reclassified to profit or loss		<u>773</u>	<u>0.03</u>	<u>556</u>	<u>0.03</u>
	Current period other comprehensive income (post-tax profit or loss)		<u>2,560</u>	<u>0.11</u>	<u>1,777</u>	<u>0.09</u>
8500	Total comprehensive income in current period (attributable to the parent company)		<u>\$ 129,680</u>	<u>5.62</u>	<u>209,802</u>	<u>10.42</u>
8600	Income attributable to:					
8610	Owners of the parent company					
	Net profit from continuing operations		\$ 46,901	2.03	\$ 134,253	6.67
	Net profit from continuing operation	VI(VI)	<u>72,799</u>	<u>3.16</u>	<u>66,948</u>	<u>3.32</u>
	Net profit attributable to owners of the parent company for the period		<u>\$ 119,700</u>	<u>5.19</u>	<u>201,201</u>	<u>9.99</u>
8620	Non-controlling interests	VI(XIX)				
	Net profit from continuing operations		\$ -	-	\$ -	-
	Net profit from continuing operation	VI(VI)	<u>7,420</u>	<u>0.32</u>	<u>6,824</u>	<u>0.34</u>
	Net profit attributable to the non-controlling interests for the period		<u>\$ 7,420</u>	<u>0.32</u>	<u>6,824</u>	<u>0.34</u>
8700	Comprehensive income attributable to:					
8710	Owners of the parent company		\$ 122,188	5.30	\$ 202,927	10.08
8720	Non-controlling interests	VI(XIX)	<u>7,492</u>	<u>0.32</u>	<u>6,875</u>	<u>0.34</u>
8500	Total comprehensive income in current period		<u>\$ 129,680</u>	<u>5.62</u>	<u>209,802</u>	<u>10.42</u>
	Earnings per share (NT\$)	VI(XX)				
9750	Earnings per share - basic		\$ 0.44		\$ 1.24	
9710	From continuing operations		<u>0.67</u>		<u>0.62</u>	
9720	From discontinuing operation		<u>\$ 1.11</u>		<u>\$ 1.86</u>	
9850	Earnings per share - diluted	VI(XX)	\$ 0.45		\$ 1.24	
9810	From continuing operations		<u>0.64</u>		<u>0.62</u>	
9820	From discontinuing operation		<u>\$ 1.09</u>		<u>\$ 1.86</u>	

**(Please refer to Notes to Consolidated Financial Statements, Schedules and Auditors' Report)**

**Chairman:**

**Wen-Yuan Kan**

**Managerial Officer:**

**Chih-Shun Chiang**

**Accounting Manager:**

**Chih-Ming Chou**

**CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in Thousands of New Taiwan Dollars)

Item	Equity attributable to owners of parent								
	Ordinary shares	Capital surplus	Retained earnings			Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements			
Balance as of January 1, 2021	\$ 1,082,500	9,319	198,549	\$ 14,455	\$ (17,540)	\$ (16,164)	\$ 1,271,119	\$ (2,516)	\$ 1,268,603
Appropriation and distribution of retained earnings:									
Legal reserve for covering deficits	-	-	(17,540)	-	17,540	-	-	-	-
Net income in 2021	-	-	-	-	201,201	-	201,201	6,824	208,025
Other comprehensive income in 2021									
Remeasurement of defined benefit plans	-	-	-	-	1,221	-	1,221	-	1,221
Exchange differences on translation of foreign financial statements (increase/decrease)	-	-	-	-	-	505	505	51	556
Total comprehensive income in 2021	-	-	-	-	202,422	505	202,927	6,875	209,802
Balance as of December 31, 2021	1,082,500	9,319	181,009	14,455	202,422	(15,659)	1,474,046	4,359	1,478,405
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	20,242	-	(20,242)	-	-	-	-
Special reserve	-	-	-	1,204	(1,204)	-	-	-	-
Cash dividends on common shares	-	-	-	-	(56,290)	-	(56,290)	-	(56,290)
Subtotal	-	-	20,242	1,204	(77,736)	-	(56,290)	-	(56,290)
Other capital surplus changes:									
Equity component (subscription right) of convertible bonds issued by the Company	-	27,227	-	-	-	-	27,227	-	27,227
Net income in 2022	-	-	-	-	119,700	-	119,700	7,420	127,120
Other comprehensive income in 2022									
Remeasurement of defined benefit plans	-	-	-	-	1,787	-	1,787	-	1,787
Exchange differences on translation of foreign financial statements (increase/decrease)	-	-	-	-	-	701	701	72	773
Total comprehensive income in 2021	-	-	-	-	121,487	701	122,188	7,492	129,680
Balance as of December 31, 2021	\$ 1,082,500	\$ 36,546	\$ 201,251	\$ 15,659	\$ 246,173	\$ (14,958)	\$ 1,567,171	\$ 11,851	\$ 1,579,022

(Please refer to Notes to Consolidated Financial Statements, Schedules and Auditors' Report)

Chairman: Wen-Yuan Kan

Managerial Officer: Chih-Shun Chiang

Accounting Manager: Chih-Ming Chou

**CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

Item	2022	2021
	Amount	Amount
Cash flows from operating activities:		
Net profit from continuing operations before tax	\$ 65,001	\$ 165,453
Net profit from discontinuing operation before tax	128,190	90,919
Profit before tax	193,191	256,372
Adjustments:		
Adjustments to reconcile:		
Depreciation expense	196,566	186,877
Expected credit impairment loss	(992)	(5,417)
Net losses on financial assets or liabilities at fair value through profit or loss	900	-
Interest expenses	7,701	4,732
Total interest income	(2,438)	(911)
Loss on disposal of property, plant and equipment	(4,107)	(1,775)
Gains from disposal of non-current assets held for sale	-	(31,051)
Changes in operating assets and liabilities		
Decrease (increase) in note receivable	(8,333)	15,729
Decrease (increase) in accounts receivable	101,185	(152,535)
Receivables - related parties (increase)	1,882	(5,720)
Decrease (increase) in other receivables	(2,657)	10,314
Decrease (increase) in inventories	26,973	(75,237)
Advances to suppliers decrease (increase)	1,730	(3,823)
Increase (decrease) in note payable	(5,735)	1,337
Increase (decrease) in accounts payable	(318)	93,216
Increase (decrease) in other payables	(8,982)	22,762
Increase (decrease) in other advances	(128,303)	38,678
Decrease (increase) in other current liabilities	4,386	(196)
Decrease in net defined benefit liability	(4,498)	(12,585)
Cash inflow generated from operations	368,151	340,767
Interest received	2,347	777
Interest paid	(4,245)	(4,932)
Income taxes paid	(28,113)	(2,795)
Net Cash inflow from operating activities	338,140	333,817
Cash flows from (used in) investing activities:		
Disposal of non-current assets held for sale	-	89,099
Acquisition of property, plant and equipment	(345,754)	(128,236)
Proceed from disposal of property, plant and equipment	6,001	2,554
Increase in refundable deposits paid	(20,337)	(25,572)
Decrease in refundable deposits paid	15,377	17,508
Long term lease receivables (decrease)	960	960
Prepayments for equipment (increase)	(130,268)	(79,084)
Net cash flows used in investing activities	(474,021)	(122,771)
Cash flows from (used in) financing activities:		
Increase in short-term loans	431,068	62,795
Decrease in short-term loans	(330,557)	(111,831)
Increase in short-term notes payable	24,937	4,985
Issuance of bonds	597,759	-
Repay long-term loans	(471,429)	(17,143)
Payment of lease liabilities	(3,969)	(3,099)
Cash dividends paid	(56,290)	-
Net cash flows from (used in) financing activities	191,519	(64,293)
Effect of exchange rate fluctuations on cash held	3,646	1,068
Net increase in cash and cash equivalents	59,284	147,821
Cash and cash equivalents at beginning of the period	202,387	54,566
Cash and cash equivalents at end of the period	\$ 261,671	\$ 202,387

**(Please refer to Notes to Consolidated Financial Statements, Schedules and Auditors' Report)**

**Chairman: Wen-Yuan Kan**

**Managerial Officer: Chih-Shun Chiang**

**Accounting Manager: Chih-Ming Chou**

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021  
 (Unless otherwise stated, all amounts are in NTD)

**I. Company History**

Chung Hwa Chemical Industrial Works. Ltd. (hereinafter, the Company or Parent Company) is a listed company incorporated in accordance with the provisions of the Company Act of the Republic of China, the Securities Exchange Act and other relevant laws and regulations. The Company was incorporated on October 30, 1956 and then listed on Taiwan Stock Exchange upon the approval of the competent authority on September 11, 2000. Registered address and main business premise is located at: No.15, Gongye 5th Rd., Shulin Village, Guanyin Dist., Taoyuan City. The Company and its subsidiary's (hereinafter, the Consolidated Company) principal activities include manufacturing and retail of sulfuric acid and other chemical industrial raw materials, and trading of finished products, as well as design of related chemical engineering, industrial investment, chemical raw materials, import and export trade, and agency distribution.

**II. Dates and Procedures for the Financial Statement Approval**

The financial statements were approved by the Company's Board of Directors on February 22, 2023.

**III. Application of New and Revised Standards, Amendments, and Interpretations**

- (I) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC) and applicable to 2022

The newly issued, amended and revised standards and interpretations approved by the FSC and applicable to 2022 are summarized below:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 3 "Index of Updated References to the Conceptual Framework"	January 1, 2022
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous Contracts-Cost of Fulfilling a Contract"	January 1, 2022
Annual Improvements to 2018 - 2020	January 1, 2022

Up to now, the consolidated Company believes that the first-time adoption of the above standards and interpretations will not constitute significant changes to the consolidated

Company's accounting policies.

(II) We have not adopted IFRSs endorsed by the FSC and applicable in 2023

The newly issued, amended and revised standards and interpretations approved by the FSC and applicable to 2023 are summarized below:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

Up to now, the consolidated Company believes that the first-time adoption of the above standards and interpretations will not constitute significant changes to the consolidated Company's accounting policies. However, the consolidated Company continues in evaluating the impact on its financial position and financial performance from the aforementioned standards and interpretations. The related impact will be disclosed when the consolidated Company completes its evaluation.

(III) We haven't adopted the IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

By the date of these consolidated financial statements issued, we haven't adopted the IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	January 1, 2024
IFRS 17 - Insurance Contracts and its amendments replace IFRS4 - Insurance Contracts	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Up to now, the consolidated Company believes that the first-time adoption of the above standards and interpretations will not constitute significant changes to the consolidated Company's accounting policies. However, the consolidated Company continues in evaluating the impact on its financial position and financial performance from the aforementioned standards and interpretations. The related impact will be disclosed

when the consolidated Company completes its evaluation.

#### **IV. Summary of Significant Accounting Policies**

The consolidated Company's significant accounting policies are summarized below:

(I) Statement of compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC.

(II) Basis of preparation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. By the historical cost, the asset is usually based on the fair value of the consideration paid for the acquisition of assets. Liabilities generally refer to the amount received to assume obligations or the amount expected to be paid for the purpose of paying off debts.

(III) Consolidation basis

1. The basis for the consolidated financial statements

The consolidated financial report includes the reports of the Company and the entities (subsidiaries) controlled by the Company. The Company controls the corresponding investee when it is exposed, or has rights, or variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins from the date the Company obtains control of a subsidiary and ceases when the Company loses control of the subsidiary.

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the consolidated Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.



2. Subsidiaries included in the consolidated financial statements

The main bodies of these consolidated financial statements are the Company, Honest Fine Chemical Co., Ltd. and JiangSu Honest Fine Chemical Co., Ltd. Subsidiaries included in the consolidated financial statements are listed below:

Investment company	Subsidiary	Location of subsidiary	Nature of business	Percentage of shares directly or indirectly held by the parent company		Whether listed in the consolidated statements or individual statements	
				December 31, 2022	December 31, 2021	2022	2021
The Company	Honest Fine Chemical Co., Ltd. (Note 1) (hereinafter, Honest Fine)	Samoa	Investment holding	90.75%	90.75%	Yes	Yes
Honest Fine	JiangSu Honest Fine Chemical Co., Ltd. (Note 2) (hereinafter, the "JiangSu Honest")	Mainland China	Manufacturing	90.75%	90.75%	Yes	Yes

Note 1: On December 22, 2020, the Board of Directors of the Company passed a resolution for the liquidation of Honey Fine Chemical Co., Ltd., and by the end of 2022, the subsequent liquidation was still in progress.

Note 2: On August 11, 2020, the Board of Directors adopted the resolution for the close down of JiangSu Honest Fine Chemical Co., Ltd at in 2020. By the end of 2022, the liquidation was still ongoing.

3. Subsidiaries not included in the consolidated financial statement: None.

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

Current assets are assets that are: expected to be realized in the normal operating cycle or intend to sell or consume; held primarily for the purpose of trading; expected to be realized within 12 months after the reporting period; cash and cash equivalents unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Non-current assets are assets not belonging to current assets. Current liabilities are those: expected to be settled within the normal operating cycle, held for purpose of trading, due to be settled within 12 months, and for which the Company does not have the right to defer settlement at least 12 months after the end of the reporting period. Non-current liabilities are liabilities not belonging to current liabilities.

(V) Foreign currencies

The items herein are prepared and expressed in the common currency (functional currency) of the primary economic environment in which the Company operates. The functional currency of the Company and Honest Fine is New Taiwan Dollars. JiangSu Honest is RMB. When preparing the consolidated financial statements, the financial performance and financial position of each consolidated entity shall be converted into New Taiwan Dollars.

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items in foreign currency shall be translated at the spot rate on the day; non-monetary items that are measured at fair value are translated at the exchange rate on the date when the fair value is determined; and non-monetary items in foreign currencies measured at historical cost are not retranslated. The exchange difference is recognized as profit or loss in the current period.

In the preparation of consolidated financial statements, the assets and liabilities of the Company's foreign operations are converted into New Taiwan Dollars at the exchange rate at the end of the reporting period. The income and expense loss items are translated at the average exchange rate of the current period, and the resulting exchange differences are recognized as other comprehensive profits and losses, and are accumulated under the exchange differences on translation of foreign financial statements.

(VI) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, fixed deposits within 3 months and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of exchanges in value.

(VII) Inventories

Inventory is recorded on the basis of cost and calculated by the weighted average method. For the calculation of product cost, variable manufacturing costs are allocated to actual production, and fixed manufacturing costs are allocated to the normal production capacity. However, if the difference between the actual production and the normal production capacity is insignificant, it can also be allocated to the actual production. If the actual output is abnormally higher than the normal capacity, it will be apportioned based on the actual output. Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The comparison between the lower of the cost and the net realizable value is made

on an item-by-item basis. If the net realizable value of the finished product is expected to be equal to or greater than the cost, the raw materials used for the production of the finished product will not be written down below the cost. When the price of raw materials falls and the cost of finished products exceeds the net realizable value, the raw materials are written down to the net realizable value.

The written-down cost of inventories to net realizable value is recognized as cost of sales, the net realizable value of inventories is re-measured in each subsequent period. If the factors that previously caused the net realizable value of inventories to be lower than the cost no longer exist, or there is evidence that the net realizable value has increased due to changes in economic conditions, within the scope of the original written-down amount, the increase in the net realizable value of inventories shall be reversed and recognized as the decrease in the cost of sales in the current period.

(VIII) Non-current assets held for sale

Non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets classified as held for sale can be sold immediately in current conditions and such sale is considered highly probable. Sale is considered highly probable when the management at suitable level are committed to a plan to sell the asset and sale will be completed within one year from the date of classification. Sale is highly probable. After classification they are stated at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated after classification.

(IX) Property, plant and equipment

Property, plant and equipment used for commodity production or management purposes are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the acquisition of the item of property.

With the straight line depreciation method, the value of an asset is written off after deducting the residual value from the cost within the useful life of the asset. The useful years of each asset are as follows: property and building 3-36 years, equipment 2-51 years, water and electricity equipment 3-20 years, computer and telecommunication equipment 2-15 years, testing equipment 3-10 years, pollution prevention equipment 5-51 years, transport equipment 5-16 years, office equipment 3-10 years and other equipment 3-21 years. When the main components of property, plant and equipment have different useful lives, they shall be treated as separate items. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates adjusted on a prospective basis.

Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the

carrying amount of the asset and is recognized in profit or loss.

(X) Leases

The contract is a lease 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.

Lessor

The lessor classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

In case of operating leases, the lessor records lease income on a straight-line basis over the lease term. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is.

In the case of finance lease, the lessor recognizes the receivable finance lease payments and the unprofitable financing income of the finance lease on the beginning date of the lease. The lessor also allocates the financing income to the lease term on a systematic and reasonable basis, with a fixed rate of return for each period of the lease term.

Lessee

Except for payments for low-value asset leases and short-term leases which are recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

Right-of-use assets are measured at cost. The cost of right-of-use assets comprises the initial measurement of lease liabilities adjusted for lease payments and initial direct costs made at or before the commencement date, plus an estimate of costs needed to restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for changes in lease liabilities as a result of lease term modifications or other related factors. Right-of-use assets are presented separately in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. If the lease transfers ownership of the underlying assets to the Company by the end of the lease terms or if the cost of right-of-use assets reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are measured at the present value of the lease payments. Lease payments comprise fixed payments, variable lease payments which depend on an index or a rate and the exercise price of a purchase option if the Company is reasonably

certain to exercise that option. Lease payments are discounted by the lessees' incremental borrowing rates.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in future lease payments resulting from a change in an index or a rate used to determine those payments, or a change in the assessment of an option to purchase an underlying asset, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

(XI) Investment property

The consolidated Company's property is classified as investment property if it is not for sale, nor for the purpose of production or management of goods or services at the end of the reporting period.

The consolidated Company's investment property is recorded on the basis of the initial cost, and the subsequent measurement adopts the cost model. The houses and buildings in the investment property are depreciated by the straight-line method based on the estimated useful life of 12 to 51 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates adjusted on a prospective basis.

(XII) Intangible assets

Separately acquired intangible assets with finite useful lives are recognized at cost less accumulated amortization and accumulated impairment losses. The amortization amount is calculated by the straight-line method as follows: 5 years for computer software. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(XIII) Impairment

At the end of each reporting period, the consolidated Company reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-

generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are 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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized in current profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in current profit or loss.

Goodwill shall be subject to impairment test on an annual basis. The impairment loss shall be recognized in the current profit and loss and shall not be reversed in subsequent periods.

#### (XIV) Financial instruments

Financial assets and liabilities shall be recognized when the consolidated Company becomes a party to the contractual provisions of the instruments. When financial assets and liabilities are initially recognized at fair values, transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate. However, the accounts receivable that do not include a significant financial component shall be measured at the transaction price at the initial recognition. Financial assets are derecognized when: (1) financial assets' contractual rights to the cash flows asset expire; or (2) all of the financial assets' risks and rewards have been transferred, or the control of the financial assets is not retained if without transferring or retaining almost all the risks and rewards of the ownership of the financial assets.

For financial products in the active market, the fair value shall be the quoted price in the active market. For financial products without active market, the fair value is estimated by the evaluation method.

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

##### 1. Financial assets

Financial assets are classified based on the Company's business model for managing the asset and the asset's contractual cash flow characteristics, including subsequently measured at amortized cost, fair value through other comprehensive income and fair value through profit and loss:

(1) Measured at amortized cost

The financial asset is measured at amortized cost if both of the following conditions are met:

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

The profits or losses of financial assets measured at amortized cost are recognized in profit or loss, but if they are part of the hedging relationship, they are treated as hedging accounting.

Interest income is calculated by the effective interest method.

(2) Fair value through other comprehensive income

Financial assets are classified and measured at fair value through other comprehensive income if the following two conditions are met:

- A. The asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- B. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gains or losses are recognized in other comprehensive profits and losses, except for impairment gains or losses and foreign currency exchange gains and losses. When the financial asset is recognized, accumulated profits or losses listed in other comprehensive profits and losses are reclassified from equity to profit and loss.

In addition, for specific equity instrument investments that should be measured at fair value through profit or loss, if neither held for trading or nor the contingent consideration recognized in business combination, at initial recognition, the Company may make an irrevocable election to present subsequent changes in fair value in other comprehensive profits and losses. In this case, profits or losses are recognized in other comprehensive profits and losses, but dividends that are not recovered from investment costs are included in profits and losses. When the financial asset is recognized, accumulated profits or losses listed in other comprehensive profits and losses shall not be

reclassified to profit and loss

(3) Fair value through profit or loss

Financial assets are measured at fair value through profit or loss, except for at amortized cost or through other comprehensive profit or loss.

At initial recognition, the financial assets can be irrevocably designated as measured at fair value through profit or loss to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases.

Gains or losses are recognized in profit or loss but if they are part of the hedging relationship, they are treated as hedging accounting.

2. Financial liabilities

In addition to derivative instruments that do not qualify for hedge accounting, the loan commitments that are not designated to be measured at fair value through profit or loss, and contingent consideration in business combination that should be classified as measured at fair value through profit or loss, financial liabilities should be classified as subsequently measured at amortized cost, except for financial liabilities that do not qualify for the listed transfer or continue to participate in the transferred assets, financial guarantee contracts, and commitments to provide loans at below-market interest rates.

3. Impairment

Financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive profits and losses, contract assets and loan commitments and financial guarantee contracts subject to impairment provisions are measured at impairment according to the expected credit loss model. If the credit risk of financial instruments has increased significantly since initial recognition, the allowance loss is measured according to the expected credit loss at each reporting date; if the credit risk of the financial instrument has not increased significantly since the initial recognition, the allowance loss will be measured by the 12-month expected credit losses on the reporting date, unless otherwise, the consolidated Company adopts a simplified approach to measure the allowance loss based on the expected credit loss during the period of existence for the accounts receivable or contract assets generated by the transactions within the scope of IFRS 15.

4. Convertible bond

Compound financial instruments (convertible bonds) issued by the consolidated Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.



At initial recognition, the fair value of the liability components is estimated at the current market interest rate of similar non-convertible instruments, and measured at the amortized cost calculated by the effective interest method before the conversion or maturity date. The components of liabilities embedded in non-equity derivatives are measured at fair value.

The conversion right classified as equity is equal to the residual amount of the overall fair value of the compound instrument minus the fair value of the separately determined liability component. After deducting the impact of income tax, the conversion right recognized as equity will not be measured subsequently. When the conversion right is executed, its relevant liability components and the amount of equity are transferred to share capital and capital surplus - issuance premium. If the conversion right of convertible bonds has not been executed on the maturity date, the amount recognized in equity is transferred to capital surplus - issuance premium. Transaction costs related to an issue of convertible bonds are allocated to the liabilities (recognized as the carrying amount of liabilities) and equity components (recognized as equity) in proportion to the allocation of proceeds.

(XV) Provision for liabilities

The provision for liabilities is recognized when the consolidated Company has present obligations (legal or constructive obligations) that arise from past events, and the liabilities are likely paid off and the amount can be measured reliably. Recognized provision for liabilities are measured at the best estimate, including risks and uncertainties of the expenditure required to settle the present obligation at the end of the reporting period. If provisions for liabilities are measured by the estimated cash flow of the present obligation, the carrying amount is the present value of the cash flow.

(XVI) Revenue from customer contracts

The consolidated Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

To recognize revenue, the Company applies the following steps: (1) identify the contracts with a customer. The parties to the contract have approved the contract and are committed to perform their respective obligations. The Company can identify each party's rights regarding the goods or services to be transferred. The Company can identify the payment terms for the goods or services to be transferred. The contract has commercial substance. It is probable that the Company will collect substantially all of the considerations to which it will be entitled in exchange for the goods or services that will be transferred to the customer. (2) Identify the performance obligations in the contract. (3) Determine the transaction price. (4) Allocate the transaction price to each performance obligation. (5) Recognize revenue when a performance obligation is

satisfied by transferring a promised good or service to a customer.

The consolidated Company provides goods according to the contract, and recognizes the revenue when meeting the performance obligation, and generally meets the performance obligation when transferring the goods. The income arising from the provision of services under the contract is recognized to the extent of completion of the contract (output method or input method) Rental income is recognized on a straight-line basis over the term of the lease. The dividend income from investment is recognized when the right to receive dividends is established, and recognized when the economic benefits related to dividends are likely to flow to the Company and the amount of dividends can be measured reliably. Interest income is recorded as accruing continuously over time on the amount of principal outstanding by the applicable effective interest rate.

The contract asset is recognized when the Company has satisfied the performance obligation by transferring goods or services before the customer pays the consideration or the payment can be collected from the customer. However, a receivable is recognized when the Company's right to consideration is unconditional except for the passage of time.

The obligation to transfer the goods or services shall be recognized as a contractual liability, if the customer has received the consideration or has the right to receive the consideration unconditionally before the transfer of goods or services.

(XVII) Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the consolidated Company recognizes expenses for the related costs for which the grants are intended to compensate. However, if government grants are used as compensation for expenses or losses that have already occurred when they can be collected, government grants shall be recognized as in profits and losses during the period when they can be collected.

Unrealized government grants are recognized as liabilities, and those realized are recognized as other income.

(XVIII) Pension benefit cost

The Company has formulated the retirement regulations for the formally employed employees, and the pension is allocated on a monthly basis. Under the defined benefit plans, the pension is calculated based on the seniority for retirement (i.e. their average monthly salary six months prior to retirement), and paid on a monthly basis with a labor retirement reserve of 6% of the monthly salary and deposited in the Bank of Taiwan in

the name of Labor Retirement Reserve Supervision Committee. When the employee pension is actually paid, it shall be paid from the provision and labor retirement reserve. In case of insufficient, it shall be recognized as the current year's expenses. Under the defined contribution plan, 6% of the salary will be allocated to the Bureau of Labor Insurance personal account.

Under the defined contribution plan, payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution. For defined benefit retirement benefit plans, the cost of pension is recognized based on actuarial calculations. Remeasurement (comprising actuarial gains and losses and the return on plan assets, excluding interest), is recognized in other comprehensive income in the period in which they occur, and recognized in retained earnings and will not be reclassified to profit or loss.

(XIX) Income tax

The income tax expense for the period comprises current and deferred tax, and is recognized in the current profit and loss, except to the extent that it relates to items directly recognized in the equity or other comprehensive income.

The current income tax expense is calculated on the basis of the current taxable income at a tax rate specified in the tax laws enacted or substantively enacted at the end of the reporting period. Adjustments of prior years' income tax estimates shall be included in the income tax expenses of the adjustment year.

An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and the temporary difference arising on investments in subsidiaries will not reverse in the foreseeable future. In addition, the deferred income tax is not accounted for the taxable temporary difference arising from initial recognition of goodwill. Deferred income tax is measured at the tax rate applicable when the temporary difference is expected to reverse, and is based on the tax rate that has been enacted or substantively enacted on the reporting date.

Deferred income tax assets and liabilities are offset when the Company has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously. The unused tax losses, income tax credits and deductible temporary differences are recognized as deferred income tax assets to the extent that it is probable that future

taxable profit will be available for use. The carrying amount of deferred income tax assets shall be reviewed and adjusted at the end of each reporting period.

(XX) Earnings per share

Basic earnings per share is calculated by dividing the current net profit attributable to the equity holders of the parent company by the weighted average number of shares outstanding. However, if the surplus is converted to capital increase or the capital surplus is converted to capital increase, or the loss is reduced due to capital reduction, the adjustment shall be retroactive in proportion to capital increase and capital reduction. The diluted earnings per share is calculated as that of basic earnings per share, but it is calculated after adjusting the impact of all potential diluted ordinary shares.

(XXI) Remuneration to the employees, directors and supervisors

Remuneration to the employees, directors and supervisors are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amount is accounted for as changes in estimates.

(XXII) Reportable operating segment

The operating segment is a component of the consolidated Company 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 consolidated Company). The operating results of the operating segment are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

**V. Major Sources of Uncertainty in Significant Accounting Judgments, Estimations, and Assumptions**

The preparation of these consolidated financial statements requires management to make critical judgments in applying the consolidated Company's accounting policies and make critical assumptions and estimates concerning future events.

The consolidated Company's assumptions and estimates are the best estimates made in accordance with relevant International Financial Reporting Standards. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, however, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. If a change in an accounting estimate may affect the current period only, it shall be recognized in the current period when the change occurs. If a change in an accounting estimate may affect the current

and future period, it shall be recognized in the current and future period.

The assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, the following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period.

(I) Valuation of inventory

As inventories are stated at the lower of cost and net realizable value, the consolidated Company must determine the net realizable value of inventories at the end of the reporting period by using judgments and estimates. However, changes in the global economic environment and industrial environment may cause significant changes in the future net realizable value of inventories due to market competition or being obsolete. Please refer to Note VI(V) regarding inventory and inventory falling price loss.

(II) Deferred income tax

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits are available against which the deductible temporary differences can be utilized. Assessment of the realization of the deferred income tax assets requires the Company's major accounting judgments, estimates and assumptions of the management. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets. Please refer to Note VI(XVIII) regarding deferred income tax.

(III) Valuation of financial assets

The valuation of the consolidated Company's receivables is based on the probability of customer default and expected credit loss rate, taking into account historical experience and forward-looking information, to estimate the impairment of receivables. If the actual cash flow in the future is less than expected, it may cause significant impairment losses. Please refer to Note VI(III) regarding receivables and allowance for loss.

(IV) Calculation of net defined benefit asset (liability)

When calculating the present value of the defined benefit obligation, the consolidated Company must use judgment and estimation to determine the relevant actuarial assumptions at the end of the financial reporting period, including the discount rate and future salary growth rate. Any change in actuarial assumptions may have a significant impact on the amount of defined benefit obligations of the consolidated company. Please refer to Note VI(XVII) regarding net defined benefit asset (liability).

## VI. Description of Significant Accounting Items

### (I) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	\$ 350,000	\$ 350,000
Checkable deposits	32,743,614	22,328,071
Demand deposits	206,295,961	30,911,834
Cash equivalents		
Bank structured deposits (initial maturity is within three months)	-	126,983,496
Bank fixed deposit (7-day notice deposit)	22,281,135	21,813,754
Total	<u>\$ 261,670,710</u>	<u>\$ 202,387,155</u>

1. The above cash and cash equivalents are not pledged or restricted.
2. The annual interest rate range of the above bank structured deposits and bank fixed deposits at the end of the reporting period is as follows:

	December 31, 2022	December 31, 2021
Bank structured deposits	-	1.20~3.25%
Bank fixed deposits	1.76~1.85%	1.76~1.85%

### (II) Financial assets and liabilities at fair value through profit or loss

	December 31, 2022	December 31, 2021
Financial liabilities held for trading-current:		
Embedded derivatives - convertible bond put-back/redemption rights	<u>\$ 3,900,000</u>	<u>\$ -</u>

### (III) Note receivable and accounts receivable

The details as below:

	December 31, 2022	December 31, 2021
Notes receivable, net		
Notes from unrelated parties	\$ 159,259,630	\$ 150,885,142
Less: loss allowances	-	-
Net value	<u>\$ 159,259,630</u>	<u>\$ 150,885,142</u>
Accounts receivable, net		
Accounts from unrelated party	\$ 407,287,092	\$ 508,340,406
Accounts from related party	18,948,621	20,831,095
Less: loss allowances	(3,476,898)	(4,336,394)
Net value	<u>\$ 422,758,815</u>	<u>\$ 524,835,107</u>

The average credit period of the consolidated Company for commodity sales is 90-180 days, and the accounts receivable are not subject to interest.

The consolidated Company adopts the simplified approach of IFRS 9 to recognize the

allowance loss of accounts receivable (including notes receivable, accounts receivable and accounts receivable - related parties) based on the expected credit loss during the period of existence. The expected credit loss during the period of existence is based on the historical default rate of customers, and is adjusted based on forward-looking estimates. Since the consolidated Company's credit loss history showed no significant difference in loss pattern across customer groups, the loss rate is not further distinguished between customer groups, and the expected credit loss rate is simply determined as the overdue days of receivables.

The expected credit losses of the consolidated Company's receivables (including notes receivable, accounts receivable and accounts receivable - related parties) are analyzed as follows:

	December 31, 2022		
	Carrying amount	Lifetime expected credit losses	Allowance for lifetime expected credit losses
Note receivable			
Not past due	<u>\$ 159,259,630</u>	0%	<u>\$ -</u>
Accounts receivable			
Not past due	426,104,424	0~1%	3,474,272
Less than 120 days past due	131,289	2%	2,626
121~180 days past due	-	-	-
More than 181 days past due	-	-	-
Subtotal accounts receivable	<u>426,235,713</u>		<u>3,476,898</u>
Total notes and accounts receivable	<u>\$ 585,495,343</u>		<u>\$ 3,476,898</u>
	December 31, 2021		
	Carrying amount	Lifetime expected credit losses	Allowance for lifetime expected credit losses
Note receivable			
Not past due	<u>\$ 150,885,142</u>	0%	<u>\$ -</u>
Accounts receivable			
Not past due	529,043,926	0~10%	4,272,606
Less than 120 days past due	127,575	50%	63,788
121~180 days past due	-	-	-
More than 181 days past due	-	-	-
Subtotal accounts receivable	<u>529,171,501</u>		<u>4,336,394</u>
Total notes and accounts receivable	<u>\$ 680,056,643</u>		<u>\$ 4,336,394</u>

As shown in Note VI(X), the accounts receivable collected on December 31, 2022 and 2021 were the accounts receivable expected to be recovered after more than 1 year, and the allowance for losses was set aside at NTD15,737,023 and NTD15,868,970 respectively.

Changes in the loss allowance for accounts receivable:

	2022	2021
Opening balance	\$ 20,205,364	\$ 25,866,979
Reversal of impairment loss	(991,443)	(5,416,690)
Amount written off for irrecoverable receivable	-	(217,722)
Effect of exchange rate changes	-	(27,203)
Ending balance	<u>\$ 19,213,921</u>	<u>\$ 20,205,364</u>

(IV) Other receivables

	December 31, 2022	December 31, 2021
Business tax refund receivable	\$ 2,049,119	\$ -
Other receivables - others	2,202,240	1,594,438
Total	4,251,359	1,594,438
Less: loss allowances	-	-
Net value	<u>\$ 4,251,359</u>	<u>\$ 1,594,438</u>

(V) Net inventory

	December 31, 2022	December 31, 2021
Raw material	\$ 66,746,225	\$ 72,391,062
Goods-in-process and semi- finished goods	23,233,046	17,339,090
Finished goods	137,675,641	145,646,302
Goods	108,231,341	111,729,806
Goods in transit	1,289,119	4,161,246
Total	337,175,372	351,267,506
Less: Allowance for inventory falling price losses	(36,710,957)	(23,830,524)
Net inventory	<u>\$ 300,464,415</u>	<u>\$ 327,436,982</u>

Details of inventory related expenses and losses recognized as cost of goods sold are as follows:

	2022	2021
Loss from inventory falling price (gain)	\$ 12,880,433	\$ (16,809,555)
Loss on physical inventory	-	342,519
Inventory obsolescence	8,641,384	2,426,638
Unallocated manufacturing expenses	131,145,692	69,658,450
Total (net value)	152,667,509	55,618,052
(Add): inventory related expenses and losses of the discontinuing operation	-	(14,517,139)
Inventory loss from continuing operations	<u>\$ 152,667,509</u>	<u>\$ 70,135,191</u>



The main reason for gaining from inventory in 2021 is that part of the inventory provided for allowance for inventory falling price losses in the previous period has been sold or scrapped.

(VI) Discontinuing operation

In cooperation with the land planning of the Qidong Municipal Government of Jiangsu Province, China, JiangSu Honest, a sub-subsidiary of the consolidated Company, signed a compensation agreement for moving out of the Chemical Park, along with safety and environmental renovation at RMB57,587,869 (including the sale of houses, buildings and right-of-use assets - the land price is RMB21,867,946, the compensation for non-relocation is RMB7,037,200, and the compensation for equipment and other ancillary facilities is RMB28,682,723) with Qidong New City Construction and Investment Development Co., Ltd. in December 2020, so JiangSu Honest, a sub-subsidiary of the consolidated Company, was recorded as discontinuing operation.

The compensation under the above agreement was fully received on June 30, 2021. The registration of the transfer of houses, buildings, and right-of-use asset-land was completed in the second quarter of 2021. The recognized sale price was RMB21,867,946. After deducting the carrying amount and related taxes, the disposal proceeds of non-current assets to be sold were RMB7,176,530 (equivalent to NTD 31,051,410).

In the fourth quarter of 2021, the discontinuing operation would move out of the Chemical Park, and it would be recognized as non-relocation compensation proceed at RMB7,037,200 (equivalent to NTD30,492,188). As of December 31, 2021, advances received were RMB28,682,723 (equivalent to NTD125,033,726), recognized as other advances.

In the second quarter of 2022, the discontinuing operation completed the removal and cleaning of equipment and facilities and other ancillary facilities, went through the liquidation procedures, and recognized the remaining compensation proceed of equipment and facilities and other ancillary facilities at RMB28,682,723. After deducting relevant taxes, the net compensation proceed recognized in 2022 was RMB28,245,746 (equivalent to NTD126,282,825).

As of December 31, 2022, JiangSu Honest was still under liquidation.

Details of the profit and loss and cash flow of the discontinuing operation are as follows:

	2022	2021
Operating revenue	\$ -	\$ 9,889,657
Operating costs	-	(1,066,450)
Gross profit from operations	-	8,823,207
Total selling expenses	-	(205,269)
Total administrative expenses	(391,820)	(3,578,039)
Total research and development expenses	-	-

Gains from expected credit impairment loss	-	5,227,418
Net operating (loss) profit	(391,820)	10,267,317
Total interest income	2,299,675	770,783
Other income	126,293,969	48,163,406
Other gains and losses	(7,031)	872,568
Finance costs	(4,385)	(206,220)
Profit before tax	128,190,408	59,867,854
Income tax expenses	(47,971,102)	(9,384,416)
After-tax operating profits from discontinuing operation	80,219,306	50,483,438
Gains from discontinuing operation (after tax)		
Gains from discontinuing operation (before tax)	-	31,051,410
Income tax expenses	-	(7,762,852)
Gains from discontinuing operation (after tax)	-	23,288,558
Gains from discontinuing operation	\$ 80,219,306	\$ 73,771,996
Gains from discontinuing operation attributable to		
Owners of the parent company	\$ 72,799,020	\$ 66,948,086
Non-controlling interests	7,420,286	6,823,910
Net profit from discontinuing operation after tax	\$ 80,219,306	\$ 73,771,996
Cash flow		
Operating activities	\$ 2,391,308	\$ 119,707,223
Investment activities	-	(37,839,023)
Financing activities	-	(56,615,000)
Net cash flow	\$ 2,391,308	\$ 25,253,200

(VII) Property, plant and equipment

The details of property, plant and equipment and the adjustment between the beginning balance and the closing balance are as follows:

	Cost					Effect of exchange rate changes	Balance as of December 31, 2022
	Balance as of January 1, 2022	Current enhancements	Current disposal	Reclassification			
Land	\$ 294,306,546	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 294,306,546
Property and building	449,103,589	4,678,595	(8,221,579)	-	-	-	445,560,605
Equipment	1,397,260,374	145,225,683	(74,406,360)	54,841,985	-	-	1,522,921,682
Water and electricity equipment	168,954,089	8,873,500	(976,473)	912,000	-	-	177,763,116
Computer and communication equipment	52,783,313	217,000	(322,286)	-	-	-	52,678,027
Testing equipment	63,935,408	10,342,599	(1,716,300)	165,240	-	-	72,726,947
Pollution prevention equipment	81,461,005	2,201,795	(182,500)	-	-	-	83,480,300
Transport equipment	71,482,701	1,251,100	(1,161,250)	-	-	-	71,572,551
Office equipment	4,068,928	167,000	(188,004)	130,000	-	-	4,177,924
Other	168,407,005	43,789,420	(5,867,271)	(16,945,810)	-	-	189,383,344
Unfinished works and equipment to be inspected	21,305,601	129,007,170	-	10,465,394	-	-	160,778,165
Total	<u>\$2,773,068,559</u>	<u>\$ 345,753,862</u>	<u>\$ (93,042,023)</u>	<u>\$ 49,568,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,075,349,207</u>
	Balance as of January 1, 2021	Current enhancements	Current disposal	Reclassification	Effect of exchange rate changes		Balance as of December 31, 2021
Land	\$ 294,306,546	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 294,306,546
Property and building	445,612,659	2,509,830	(195,900)	1,177,000	-	-	449,103,589
Equipment	1,398,363,367	71,983,640	(146,649,094)	73,932,391	(369,930)	(369,930)	1,397,260,374
Water and electricity equipment	163,334,589	5,147,500	-	472,000	-	-	168,954,089
Computer and communication equipment	55,633,933	879,738	(3,887,400)	168,000	(10,958)	(10,958)	52,783,313
Testing equipment	54,722,127	13,958,345	(5,166,267)	437,100	(15,897)	(15,897)	63,935,408
Pollution prevention equipment	102,134,614	315,118	(20,996,160)	72,000	(64,567)	(64,567)	81,461,005
Transport equipment	81,599,703	94,000	(10,201,335)	-	(9,667)	(9,667)	71,482,701
Office equipment	6,919,704	-	(2,842,143)	-	(8,633)	(8,633)	4,068,928
Other	170,675,324	13,129,370	(2,757,245)	(12,637,237)	(3,207)	(3,207)	168,407,005
Unfinished works and equipment to be inspected	88,209,573	20,218,782	(30,930,795)	(56,096,787)	(95,172)	(95,172)	21,305,601
Total	<u>\$2,861,512,139</u>	<u>\$ 128,236,323</u>	<u>\$ (223,626,339)</u>	<u>\$ 7,524,467</u>	<u>\$ (578,031)</u>	<u>\$ (578,031)</u>	<u>\$2,773,068,559</u>

	Accumulated depreciation					
	Balance as of January 1, 2022	Current provisions	Current disposal	Reclassification	Effect of exchange rate changes	Balance as of December 31, 2022
Property and building	\$ 257,772,520	\$ 21,267,962	\$ (8,095,919)	\$ -	\$ -	\$ 270,944,563
Equipment	879,996,017	131,304,400	(73,257,664)	-	-	938,042,753
Water and electricity equipment	114,291,914	11,331,203	(976,473)	-	-	124,646,644
Computer and communication equipment	36,177,275	3,199,794	(322,286)	-	-	39,054,783
Testing equipment	36,934,417	6,362,154	(1,464,521)	-	-	41,832,050
Pollution prevention equipment	46,237,947	4,021,987	(182,500)	-	-	50,077,434
Transport equipment	46,349,924	4,923,242	(793,992)	-	-	50,479,174
Office equipment	3,526,937	233,631	(188,004)	-	-	3,572,564
Other	87,374,226	9,977,205	(5,867,271)	-	-	91,484,160
Total	<u>\$1,508,661,177</u>	<u>\$ 192,621,578</u>	<u>\$ (91,148,630)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,610,134,125</u>

	Accumulated depreciation					
	Balance as of January 1, 2021	Current provisions	Current disposal	Reclassification	Effect of exchange rate changes	Balance as of December 31, 2021
Property and building	\$ 235,959,232	\$ 22,009,188	\$ (195,900)	\$ -	\$ -	\$ 257,772,520
Equipment	830,248,020	118,464,852	(68,585,148)	-	(131,707)	879,996,017
Water and electricity equipment	102,703,798	11,588,116	-	-	-	114,291,914
Computer and communication equipment	33,501,424	4,976,396	(2,294,488)	-	(6,057)	36,177,275
Testing equipment	33,838,628	5,264,829	(2,162,386)	-	(6,654)	36,934,417
Pollution prevention equipment	46,077,193	4,784,604	(4,609,703)	-	(14,147)	46,237,947
Transport equipment	49,794,447	5,793,296	(9,231,115)	-	(6,704)	46,349,924
Office equipment	4,532,508	205,992	(1,207,958)	-	(3,605)	3,526,937
Other	78,101,949	10,857,506	(1,585,229)	-	-	87,374,226
Total	<u>\$1,414,757,199</u>	<u>\$ 183,944,779</u>	<u>\$ (89,871,927)</u>	<u>\$ -</u>	<u>\$ (168,874)</u>	<u>\$1,508,661,177</u>

	Accumulated impairment					
	Balance as of January 1, 2021	Current provisions	Current disposal	Reclassification	Effect of exchange rate changes	Balance as of December 31, 2021
Equipment	\$ 77,660,663	\$ -	\$ (77,422,440)	\$ -	\$ (238,223)	\$ -
Computer and communication equipment	1,597,813	-	(1,592,912)	-	(4,901)	-
Testing equipment	3,013,124	-	(3,003,881)	-	(9,243)	-
Pollution prevention equipment	16,436,877	-	(16,386,457)	-	(50,420)	-
Transport equipment	965,957	-	(962,994)	-	(2,963)	-
Office equipment	1,639,213	-	(1,634,184)	-	(5,029)	-
Other	1,045,429	-	(1,042,222)	-	(3,207)	-
Unfinished works and equipment to be inspected	31,025,967	-	(30,930,795)	-	(95,172)	-
Total	<u>\$ 133,385,043</u>	<u>\$ -</u>	<u>\$ (132,975,885)</u>	<u>\$ -</u>	<u>\$ (409,158)</u>	<u>\$ -</u>

	Carrying amount	
	December 31, 2022	December 31, 2021
Land	\$ 294,306,546	\$ 294,306,546
Property and building	174,616,042	191,331,069
Equipment	584,878,929	517,264,357
Water and electricity equipment	53,116,472	54,662,175
Computer and communication equipment	13,623,244	16,606,038
Testing equipment	30,894,897	27,000,991
Pollution prevention equipment	33,402,866	35,223,058
Transport equipment	21,093,377	25,132,777
Office equipment	605,360	541,991
Other	97,899,184	81,032,779
Unfinished works and equipment to be inspected	160,778,165	21,305,601
Total	<u>\$ 1,465,215,082</u>	<u>\$ 1,264,407,382</u>

Please refer to Note VIII for the pledge of the above property, plant and equipment.

(VIII) Right-of-use assets

The details of the right-of-use assets and the adjustment between the beginning balance and closing balance are as follows:

	Property and building	Transport equipment	Total
Cost:			
Balance as of January 1, 2021	\$ 1,275,589	\$ 6,980,569	\$ 8,256,158
Additions	-	8,156,548	8,156,548
Decreases	(1,275,589)	(2,859,984)	(4,135,573)
Balance as of December 31, 2021	-	12,277,133	12,277,133
Additions	3,888,459	720,192	4,608,651
Decreases	-	(1,069,550)	(1,069,550)
Balance as of December 31, 2022	<u>\$ 3,888,459</u>	<u>\$ 11,927,775</u>	<u>\$ 15,816,234</u>
Accumulated depreciation:			
Balance as of January 1, 2021	\$ 1,055,664	\$ 3,552,553	\$ 4,608,217
Depreciation	219,925	2,603,690	2,823,615
Decreases	(1,275,589)	(2,859,984)	(4,135,573)
Balance as of December 31, 2021	-	3,296,259	3,296,259
Additions	756,091	3,079,777	3,835,868
Decreases	-	(1,069,550)	(1,069,550)
Balance as of December 31, 2022	<u>\$ 756,091</u>	<u>\$ 5,306,486</u>	<u>\$ 6,062,577</u>
Carrying amount:			
January 1, 2021	<u>\$ 219,925</u>	<u>\$ 3,428,016</u>	<u>\$ 3,647,941</u>
December 31, 2021	<u>\$ -</u>	<u>\$ 8,980,874</u>	<u>\$ 8,980,874</u>
December 31, 2022	<u>\$ 3,132,368</u>	<u>\$ 6,621,289</u>	<u>\$ 9,753,657</u>

(IX) Investment property

The details of investment property and the adjustment between the beginning balance and closing balance are as follows:

	Land	Property and building	Total cost	Accumulated depreciation	Net value
Balance as of January 1, 2021	\$ 12,554,052	\$ 6,083,061	\$ 18,637,113	\$ (2,746,847)	\$ 15,890,266
Provision for depreciation	-	-	-	(108,480)	(108,480)
Balance as of January 1, 2022	12,554,052	6,083,061	18,637,113	(2,855,327)	15,781,786
Provision for depreciation	-	-	-	(108,480)	(108,480)
Balance as of December 31, 2022	<u>\$ 12,554,052</u>	<u>\$ 6,083,061</u>	<u>\$ 18,637,113</u>	<u>\$ (2,963,807)</u>	<u>\$ 15,673,306</u>

1. The measurement of the above investment property after recognition is based on the cost model.
2. According to the appraisal report issued by an external independent professional appraiser on the investment property held by the consolidated Company, the fair value of the investment property mentioned above was NTD55,820,000 as of January 10, 2023. Based on the appraisal report and the market situation in 2021, the above investment property should not be impaired at the end of 2022 and 2021. The appraisal report adopts the comparison method and the income method. The important assumptions and relevant information of appraisal are as follows:

Fair value: NTD 55,820,000

Levels in the fair value hierarchy: Level 3 fair value measurements refers to the use of unobservable market data as the input value of assets or liabilities (unobservable input value), and the use of evaluation techniques to derive fair value.

Evaluation method: comparison method and income method

Discount rate: 2.47%

Weighting ratio of comparison method and income method: 0%: 100%

The fact and reason why the highest and best use is different from the current use: None.

3. The above investment property is for rent. The rental income recognized in the year of 2022 and 2021 was NTD1,280,772, and the direct operating expenses incurred were NTD170,502 and NTD170,096 respectively.
4. The above investment property is not pledged.

(X) Advances to suppliers and other assets

	December 31, 2022	December 31, 2021
Supplies inventory	\$ 470,501	\$ 828,227
Other prepaid expenses	10,615,755	7,584,088
Advance payment	197,192	4,601,077
Prepayments for equipment	165,447,133	51,103,709
Refundable deposits paid	23,428,726	18,468,047
Overdue receivables	15,737,023	15,868,970
Less: loss allowances	(15,737,023)	(15,868,970)
Finance lease receivables, net	985,117	1,854,290
Total	<u>\$ 201,144,424</u>	<u>\$ 84,439,438</u>
Current	\$ 30,824,724	\$ 23,059,799
Non-current	170,319,700	61,379,639
Total	<u>\$ 201,144,424</u>	<u>\$ 84,439,438</u>

1. Please refer to Note VI(III) for receivables that are expected to be recovered after more than one year, and are fully set aside as allowance for losses.
2. The consolidated Company leases transport equipment under finance lease. The lease contract period is 3-5 years. According to the terms of the lease contract, the ownership of the asset will be transferred to the lessee upon the expiration of the lease contract.

- (1) The due date of the undiscounted lease benefits leased by the consolidated Company under a finance lease is as follows:

	December 31, 2022	December 31, 2021
Less than 1 year	\$ 720,000	\$ 960,000
1-5 years	320,000	1,040,000
Total	<u>\$ 1,040,000</u>	<u>\$ 2,000,000</u>

- (2) The adjustment information between the undiscounted lease benefits and the net lease investment of the consolidated Company leased under a finance lease is as follows:

	December 31, 2022		
	Current	Non-current	Total
Undiscounted lease benefit	\$ 720,000	\$ 320,000	\$ 1,040,000
Unearned financing income	(46,690)	(8,193)	(54,883)
Finance lease receivables, net	<u>\$ 673,310</u>	<u>\$ 311,807</u>	<u>\$ 985,117</u>

	December 31, 2021		
	Current	Non-current	Total
Undiscounted lease benefit	\$ 960,000	\$ 1,040,000	\$ 2,000,000
Unearned financing income	<u>(90,827)</u>	<u>(54,883)</u>	<u>(145,710)</u>
Finance lease receivables, net	<u>\$ 869,173</u>	<u>\$ 985,117</u>	<u>\$ 1,854,290</u>

(XI) Short-term loans

Nature of loan	December 31, 2022	December 31, 2021
Bank guaranteed loan	\$ -	\$ 20,000,000
Bank credit loan	<u>143,481,548</u>	<u>22,970,973</u>
Total	<u>\$ 143,481,548</u>	<u>\$ 42,970,973</u>
Annual interest rate at the end of the period	1.73~5.41%	0.86~0.94%
Last maturity date	April 30, 2023	April 30, 2022

Please refer to Note VIII for the above bank guarantee loan provided by the consolidated Company.

(XII) Short-term notes payable

Guarantee (acceptance) institution	December 31, 2022	December 31, 2021
China Bills Finance Corporation	\$ 50,000,000	\$ 25,000,000
International Bills Finance Corporation	40,000,000	10,000,000
Mega Bills Finance Co., Ltd.	-	20,000,000
Taiwan Finance Corporation	<u>-</u>	<u>10,000,000</u>
Total	90,000,000	65,000,000
Less: unamortized discount	<u>(105,775)</u>	<u>(43,048)</u>
Net value	<u>\$ 89,894,225</u>	<u>\$ 64,956,952</u>
Annual interest rate at the end of the period	1.35~1.65%	0.47~0.65%
Last maturity date	February 10, 2023	February 22, 2022

The consolidated Company does not provide guarantee for the above short-term notes payable.



(XIII) Other payables

	December 31, 2022	December 31, 2021
Expenses payable		
Salary and bonus payable	\$ 24,595,733	\$ 31,390,989
Interest payable	127,519	-
Pension expenses payable	1,342,492	1,184,957
Remuneration to the employees payable	1,420,000	2,400,000
Remuneration to the directors (supervisors) payable	1,600,000	4,500,000
Freight payable	14,938,319	17,560,484
Payable pollution prevention fee	13,514,594	18,698,868
Payable parts and consumables	7,230,962	6,593,515
Insurance premium payable	3,529,046	3,347,887
Export expenses payable	8,699,486	4,151,421
Other expenses payable	19,565,616	15,631,449
Subtotal	<u>96,563,767</u>	<u>105,459,570</u>
Other payables		
Payables to equipment suppliers	79,182,572	45,538,324
Business tax and value-added tax payable	-	93,532
Subtotal	<u>79,182,572</u>	<u>45,631,856</u>
Total	<u>\$ 175,746,339</u>	<u>\$ 151,091,426</u>
Current	<u>\$ 175,746,339</u>	<u>\$ 151,091,426</u>
Non-current	<u>-</u>	<u>-</u>
Total	<u>\$ 175,746,339</u>	<u>\$ 151,091,426</u>

(XIV) Lease liabilities

1. The consolidated Company's lease liabilities are analyzed below:

	December 31, 2022		
	Future minimum rent payment	Interest	Minimum rent payment
Lease liabilities - current	\$ 4,362,105	\$ (114,408)	\$ 4,247,697
Lease liabilities - non-current	<u>5,646,069</u>	<u>(93,468)</u>	<u>5,552,601</u>
Total	<u>\$ 10,008,174</u>	<u>\$ (207,876)</u>	<u>\$ 9,800,298</u>

  

	December 31, 2021		
	Future minimum rent payment	Interest	Minimum rent payment
Lease liabilities - current	\$ 3,104,772	\$ (93,205)	\$ 3,011,567
Lease liabilities - non-current	<u>6,106,278</u>	<u>(113,604)</u>	<u>5,992,674</u>
Total	<u>\$ 9,211,050</u>	<u>\$ (206,809)</u>	<u>\$ 9,004,241</u>

2. The profit and loss items related to the lease contract are as follows:

	2022	2021
Interest expense on lease liability	\$ 155,989	\$ 124,385
Expenses under short-term lease contract	\$ 269,256	\$ 625,068
Expense under leases of low-value assets	\$ 396,471	\$ 474,876

3. The amounts recognized in the statement of cash flows are as follows

	2022	2021
Total cash outflow from lease	\$ 3,968,583	\$ 3,099,359

(XV) Bonds payable

1. Domestic unsecured convertible corporate bonds payable

	December 31, 2022	December 31, 2021
Bond issuance amount	\$ 600,000,000	\$ -
Unamortized balance of discounted corporate bonds payable	(36,102,984)	-
Ending balance of corporate bonds payable	\$ 563,897,016	\$ -
Embedded derivative financial instruments - put-back and redemption rights (presented as financial liabilities at fair value through profit or loss)	\$ 3,900,000	\$ -
Equity component - conversion right (reported in capital surplus - subscription)	\$ 27,227,088	\$ -
	2022	2021
Embedded derivative financial instruments - put-back and redemption rights (presented as financial assets/liabilities at fair value through profit or loss)	\$ 900,000	\$ -
Interest expenses (Note)	\$ 3,172,346	\$ -

Note: The effective interest rate of the first unsecured convertible bonds issued by the Company is 1.9836%.

2. The Company issued the first unsecured domestic convertible bonds on October 3, 2022. The main terms and contents of the issuance are summarized below:
- (1) Issued at par value: NTD 600,000,000.
  - (2) Issue price: 100.5% of the face value, with each of NTD100,000 .

(3) Coupon Rate: 0%

(4) Repayment method:

The bond shall be paid back in one lump sum of the face value upon maturity in cash, unless otherwise the bondholders of the convertible corporate bonds convert into common shares of the Company in accordance with Article 10 of the Regulations or exercise the put back right in accordance with Article 19 of the Regulations, and the Company redeems in advance in accordance with Article 18 of the Regulations.

(5) Issuance period: 3 years (October 3, 2022 to October 3, 2025)

(6) Conversion period:

Bondholders may apply to the Company to convert their convertible corporate bonds into ordinary shares of the Company from the day following three months after the issuance of the convertible corporate bonds (January 4, 2023) to the maturity date (October 3, 2025), except for (1). the period during which the transfer of ordinary shares is suspended according to laws, (2). the Company's free allotment suspension date, the cash dividend suspension date or the cash capital increase subscription suspension date 15 business days before the transfer date, and until the base date for the distribution of rights period, (3). from the base date of capital reduction for capital reduction to the day before the trading day before the start of the capital reduction and redemption of stocks; (4). from the start date of the suspension of conversion of the denomination of stocks to the day before the trading day before the start of the trading of new shares.

(7) Conversion prices and the adjustments:

The conversion price upon issuance is NTD30.80. However, after converted the corporate bonds, in one of the following circumstances, the conversion price shall be adjusted according to the formula specified in the terms of issue:

- A. In case that any increase in the issued (including private placement) ordinary shares of the Company, unless otherwise the Company issues or privately places various marketable securities with ordinary share conversion rights or stock options to exchange ordinary shares or issue new shares for employee compensation.
- B. In case that the Company issues cash dividends on ordinary shares, the conversion price shall be adjusted at the ratio of the current price per share on the ex-dividend reference date.
- C. In case that the Company re-issues and issues (including re-private placement) various marketable securities with ordinary share conversion rights or warrants at a conversion or subscription price lower than the

prevailing price per share.

D. In case that the reduction in the number of ordinary shares of the Company is not caused by capital reduction through cancellation of treasury shares.

(8) Put back rights:

The date of issuance of the convertible corporate bonds for two years (October 3, 2024) shall be the reference date for early redemption for bondholders. Creditors may require the Company to redeem the convertible corporate bonds held by them in cash according to the nominal value of the bonds plus interest compensation [101.0025% of the nominal value of the bonds for two years (0.5% of the actual yield)].

(9) Redemption rights:

The Company will repurchase the convertible corporate bonds in accordance with the Company's issuance and conversion regulations in one of the following circumstances from the day after the convertible bond is issued for three months (January 4, 2023) to 40 days prior to the expiration of the issuance period (August 24, 2025).

A. If the closing price of the Company's ordinary shares exceeds the prevailing conversion price by more than 30% (including 30%) for 30 consecutive business days.

B. If the outstanding balance of the convertible bonds is less than NTD60,000,000 (i.e. 10% of the original issue amount).

(10) In accordance with issuance and conversion regulations, all bonds repurchased (including those bought back through the TPEX), repaid and converted by the Company will be canceled, and all rights and obligations attached to the bonds will be extinguished and will not be issued.

(XVI) Long-term loans

Financing institutions	Loan period and regulations	December 31, 2022	December 31, 2021
Guaranteed loan from Hua Nan Bank	The principal of NTD85,000 thousand will be repaid in a lump sum and the interest will be paid monthly from April 27, 2020 to April 27, 2022.	\$ -	\$ 85,000,000

Guaranteed loan from Hua Nan Bank	The principal of NTD120,000 thousand will be repaid monthly in 84 tranches from April 29, 2020 to April 29, 2027. Repaid in advance on April 28, 2022.	-	91,428,560
Credit loan from Fubon Bank	From April 30, 2020 to April 30, 2027, the principal of NTD90,000 thousand will be repaid in 60 tranches from the third year. Repaid in advance on April 29, 2022.	-	90,000,000
Guaranteed loan from Hua Nan Bank	The principal of NTD65,000 thousand will be repaid in a lump sum and the interest will be paid monthly from May 8, 2020 to May 8, 2022.	-	65,000,000
Credit loan from Fubon Bank	From May 8, 2020 to May 8, 2027, the principal of NTD140,000 thousand will be repaid in 60 tranches from the third year. Repaid in advance on April 29, 2022.	-	140,000,000
Subtotal		-	471,428,560
Less: amount due within one year		-	(195,476,195)
Total		\$ -	\$ 275,952,365

Please refer to Note VIII for the guarantees provided by the consolidated Company in terms of the above long-term loans.

(XVII) Employee pension

- Pursuant to the stipulations of the Labor Standards Act and Labor Pension Act, the Company has established its regulations on the retirement for formal employees.

- Defined benefit plans

The severance pay shall be calculated based on their service seniority and the average wages of the last six months of service rendered. For employees who have worked with the Company for over 15 years and aged 55, or worked with

the Company for over 25 years, or those who have worked with the Company for 10 years and aged 60, they are qualified for apply for retirement. For each year of service they provided, they will be awarded 2 radixes and for those whose seniority exceeds 15 years, for each year of service they provided, they will be awarded 1 radix and they may receive no more than 45 radixes in total. In case of less than six months, six months of services are counted; and more than six months shall be deemed as one year of service. For employees on forced retirement due to disability caused by occupational injury, they may receive an additional 20% for the severance pay. Those who choose to apply the provisions under the Labor Pension Act to withdraw pension, those who have served the Company for more than 15 years and have reached the age of 60 may apply for monthly pension, however, those who have worked for less than 15 years shall apply for a lump-sum pension.

(2) Defined contribution plans

Since July 1, 2005, the Labor Pension Act had come into effect. If employees of the Company choose to apply the new pension regime, 6% of the fixed salary will be allocated to the employee account with the Labor Insurance Bureau according to the Labor Pension Act. For those who choose to apply the old seniority and pension regime before July 1, 2005, the labor pension reserve has been allocated to the dedicated account in the Bank of Taiwan.

2. The Company's benefit plan is accurately calculated based on the measurement date of December 31, 2022 and 2021. The actuarial assumptions, components of defined benefit obligations, change in the present value of the defined benefit obligations, change in the fair value of the assets of the benefit plan, the recognized expenses and the composition percentage of the fair value of the assets of the plan are as follows:

(1) Actuarial assumption of defined benefit plans

	December 31, 2022	December 31, 2021
Discount rate	1.25%	0.50%
Expected salary increase rate	2.00%	2.00%

The Company's actuarial assumption for defined benefit plans describes below:

- A. Discount rate: The interest rate used to discount the post-retirement benefit obligations (including those with and without appropriation to the pension reserve account) and evaluate the interest income of the assets planned for the next year by reference to using interest rate of high-quality corporate bonds. Where there is no deep market in high-quality corporate bonds, the Company uses interest rates of government

bonds (at the measurement date) instead. The corporate bonds or government bonds shall be denominated in the currency in which the benefit obligations after retirement will be paid and that have terms to maturity approximating to the terms of evaluation period.

B. Expected salary increase rate: The estimated future salary increase takes into account inflation, seniority, promotion and other relevant factors, such as the supply and demand of the employment market.

(2) The amount of defined benefit plans listed in the consolidated balance sheet is as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	\$ (24,395,000)	\$ (32,315,000)
Fair value of plan assets	24,701,924	25,890,441
Net defined benefit asset (liability) - non-current	<u>\$ 306,924</u>	<u>\$ (6,424,559)</u>

(3) Changes in net defined benefit assets (liabilities) are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit asset (liability)
Balance as of January 1, 2021	\$ (33,141,000)	\$ 12,605,125	\$ (20,535,875)
Defined benefit cost			
Current service cost	(263,965)	-	(263,965)
Interest (expense) income	<u>(248,558)</u>	<u>98,213</u>	<u>(150,345)</u>
Recognized in profit or loss	<u>(512,523)</u>	<u>98,213</u>	<u>(414,310)</u>
Remeasurement			
Plan asset compensation	-	188,152	188,152
Actuarial gains (losses)			
- Changes in financial assumptions	(360,000)	-	(360,000)
Actuarial gains (losses)			
- Experience adjustments	<u>1,698,523</u>	<u>-</u>	<u>1,698,523</u>
Recognized in other comprehensive income	<u>1,338,523</u>	<u>188,152</u>	<u>1,526,675</u>
Contributions from employer	-	12,998,951	12,998,951

Payment from plan assets	-	-	-
Balance as of December 31, 2021	<u>\$ (32,315,000)</u>	<u>\$ 25,890,441</u>	<u>\$ (6,424,559)</u>
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit asset (liability)
Balance as of January 1, 2022	\$ (32,315,000)	25,890,441	\$ (6,424,559)
Defined benefit cost			
Current service cost	(266,325)	-	(266,325)
Interest (expense) income	<u>(161,575)</u>	<u>131,902</u>	<u>(29,673)</u>
Recognized in profit or loss	<u>(427,900)</u>	<u>131,902</u>	<u>(295,998)</u>
Remeasurement			
Plan asset compensation	-	1,791,216	1,791,216
Actuarial gains (losses)			
- Changes in financial assumptions	810,000	-	810,000
Actuarial gains (losses)			
- Experience adjustments	<u>(367,372)</u>	<u>-</u>	<u>(367,372)</u>
Recognized in other comprehensive income	<u>442,628</u>	<u>1,791,216</u>	<u>2,233,844</u>
Contributions from employer	-	827,832	827,832
Payment from plan assets	3,939,467	(3,939,467)	-
Amount paid on Company account	<u>3,965,805</u>	<u>-</u>	<u>3,965,805</u>
Balance as of December 31, 2022	<u>\$ (24,395,000)</u>	<u>\$ 24,701,924</u>	<u>\$ 306,924</u>

(4) Recognized expenses under defined benefit plans

	2022	2021
Current service cost	\$ 266,325	\$ 263,965
Interest cost of defined benefit obligations	161,575	248,558
Total interest income of plan assets	<u>(131,902)</u>	<u>(98,213)</u>
Net pension cost	<u>\$ 295,998</u>	<u>\$ 414,310</u>



(5) Percentage of fair value of plan assets

	December 31, 2022	December 31, 2021
Self-use		
Redeposit to financial institutions	15.81%	18.88%
Short-term notes	4.75%	4.99%
Government bonds, financial bonds, corporate bonds and securitized commodities	6.01%	6.24%
Stock and beneficiary certificate investment (including futures)	13.01%	9.02%
Foreign investment	11.04%	10.87%
Consigned operation		
Domestically consigned operation	10.26%	10.18%
Foreign consigned operation	39.12%	39.82%
Total	100.00%	100.00%

The Company's employee pension fund is fully deposited in the Department of Trust, the Bank of Taiwan. The expected return rate of the plan assets is based on the historical return trend, the market estimate by the actuary during the existence of the defined benefit obligation, and the application of the labor pension fund by the Labor Pension Fund Supervisory Committee, and considering that the minimum return is not lower than the interest rate of a two-year-term deposit at the local banks.

(6) Sensitivity analysis of major actuarial assumptions

The sensitivity analysis of the Company's defined benefit obligations is based on the discount rate and salary adjustment rate of actuarial assumptions. On the premise that other actuarial assumptions remain unchanged, the discount rate and expected salary increase rate are calculated by increasing or decreasing by 0.25% respectively:

A. Sensitivity analysis of discount rate

	Discount rate			
	December 31, 2022		December 31, 2021	
	1.50%	1.00%	0.75%	0.25%
Calculated based on simulation assumptions	\$ (24,139,000)	\$ (24,657,000)	\$ (31,954,000)	\$ (32,686,000)
Calculated based on original assumptions	(24,395,000)	(24,395,000)	(32,315,000)	(32,315,000)
Gains (losses) of defined benefit obligations	256,000	(262,000)	361,000	(371,000)
Change of defined benefit obligation (%)	-1.05%	1.07%	-1.12%	1.15%

B. Sensitivity analysis of expected salary increase rate:

	Expected salary increase rate			
	December 31, 2022		December 31, 2021	
	2.25%	1.75%	2.25%	1.75%
Calculated based on simulation assumptions	\$ (24,655,000)	\$ (24,657,000)	\$ (32,690,000)	\$ (31,947,000)
Calculated based on original assumptions	(24,395,000)	(24,395,000)	(32,315,000)	(32,315,000)
Gains (losses) of defined benefit obligations	(260,000)	255,000	(375,000)	368,000
Change of defined benefit obligation (%)	1.07%	-1.05%	1.16%	-1.14%

- (7) The Company expects to allocate NTD744,000 to the defined benefit plan in the year of 2023. The weighted average duration of defined benefit obligations at the end of 2022 and 2021 is 8 years.
3. The amount of the Company's defined contribution plans in 2022 and 2021 recognized as current expenses is NTD7,238,389 and NTD6,464,169 respectively. The unpaid amount at the end of 2022 and 2021 was NTD1,342,492 and NTD1,184,957 respectively, which had been paid after the end of the reporting period.
4. The above pension only refers to the Company, while the subsidiary - Honest Fine does not employ any employee and authorizes the Company to provide services, instead. JiangSu Honest has not formulated any pension regulations. The pension is contributed based on employee's salary as per local government regulations,

(XVIII) Income tax

The income tax rate of the profit-making enterprises in 2022 and 2021 was 20%, and the basic income tax rate was 12%. JiangSu Honest adopts an income tax rate of 25%. Honest Fine has no income tax in current period. Relevant information on deferred income tax assets and liabilities and the adjustment of income tax expenses and income tax payable are as follows:

1. Composition and change analysis of deferred income tax assets and liabilities

	2022					
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Directly recognized in profit or loss	Effect of exchange rate changes	Ending balance
Temporary differences						
Bad debt loss exceeding limit	\$ 1,524,202	\$ 12,429	\$ -	\$ -	\$ -	\$ 1,536,631
Prepaid pension expenses	(3,285,163)	(899,527)	-	-	-	(4,184,690)
Unrealized loss on inventory falling price losses	4,766,105	2,576,086	-	-	-	7,342,191
Unrealized employee leave payment	1,019,146	(6,349)	-	-	-	1,012,797

Unrealized exchange loss	-	38,156	-	-	-	38,156
Unrealized loss of financial assets and liabilities	-	180,000	-	-	-	180,000
Actuarial profit and loss of defined benefits	4,619,654	-	(446,769)	-	-	4,172,885
Discount amortization of corporate bonds	-	547,462	-	(6,806,772)	-	(6,259,310)
Deferred income tax benefit (expense)		<u>\$ 2,448,257</u>	<u>\$ (446,769)</u>	<u>\$ (6,806,772)</u>	<u>\$ -</u>	
Net deferred income tax assets (liabilities)	<u>\$ 8,643,944</u>					<u>\$ 3,838,660</u>
Deferred income tax assets	<u>\$ 11,929,107</u>					<u>\$ 14,282,660</u>
Deferred income tax liabilities	<u>\$ 3,285,163</u>					<u>\$ 10,444,000</u>

	2021					
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Directly recognized in profit or loss	Effect of exchange rate changes	Ending balance
Temporary differences						
Bad debt loss exceeding limit	\$ 3,249,849	\$ (1,718,933)	\$ -	\$ -	\$ (6,714)	\$ 1,524,202
Prepaid pension expenses	(768,234)	(2,516,929)	-	-	-	(3,285,163)
Unrealized loss on inventory falling price losses	8,947,557	(4,167,081)	-	-	(14,371)	4,766,105
Unrealized employee leave payment	990,331	28,815	-	-	-	1,019,146
Deferred recognition of costs and other expenses	1,952,985	(1,941,901)	-	-	(11,084)	-
Actuarial profit and loss of defined benefits	4,924,989	-	(305,335)	-	-	4,619,654
Loss carryforward	<u>9,942,150</u>	<u>(9,822,723)</u>	<u>-</u>	<u>-</u>	<u>(119,427)</u>	<u>-</u>
Deferred income tax benefit (expense)		<u>\$ (20,138,752)</u>	<u>\$ (305,335)</u>	<u>\$ -</u>	<u>\$ (151,596)</u>	
Net deferred income tax assets (liabilities)	<u>\$ 29,239,627</u>					<u>\$ 8,643,944</u>
Deferred income tax assets	<u>\$ 29,239,627</u>					<u>\$ 11,929,107</u>
Deferred income tax liabilities	<u>\$ -</u>					<u>\$ 3,285,163</u>

## 2. Items not recognized as deferred income tax assets and liabilities

	December 31, 2022	December 31, 2021
Not recognized as deferred income tax assets		
Loss carryforward	\$ 1,423,759	\$ 1,393,893
Temporary differences		
Translation difference of	2,991,489	3,131,810

foreign financial statements		
Unrealized collection of bad debt losses	957,445	957,445
Recognition of compensation proceed in advance	-	31,258,431
Total	<u>\$ 5,372,693</u>	<u>\$ 36,741,579</u>

At the end of 2022, the consolidated Company's loss carryforward not recognized as deferred income tax assets are listed below:

Subsidiary in Mainland				
Year	Application/ assessment	Amount not yet carried forward	Amount of not recognized as deferred income tax assets	The last year of carried forward
2020	<u>\$ 46,353,598</u>	<u>\$ 5,695,036</u>	<u>\$ 5,695,036</u>	2030

### 3. Income tax expense recognized in profit or loss

The composition of income tax expenses (benefits) recognized in profit and loss in the current period is as follows:

	2022	2021
Current income tax:		
Current income tax payable	<u>\$ 16,821,381</u>	<u>\$ 29,291,693</u>
Unappropriated retained earnings tax	6,234,312	-
Current income tax adjustment of previous years	(2,507,436)	(1,083,177)
Separate tax of JiangSu Honest compensation proceeds	<u>47,971,102</u>	<u>-</u>
Total income tax of the current period:	68,519,359	28,208,516
Deferred income tax	<u>(2,448,257)</u>	<u>20,138,752</u>
Income tax expense recognized in profit or loss	66,071,102	48,347,268
Less: income tax from discontinuing operation	<u>47,971,102</u>	<u>17,147,268</u>
Income tax from continuing operations	<u>\$ 18,100,000</u>	<u>\$ 31,200,000</u>

The adjustment between current accounting income and income tax expense recognized in profit and loss and income tax payable at the end of the period is as follows:

	2022	2021
Net profit from continuing operations before tax	<u>\$ 65,000,545</u>	<u>\$ 165,452,940</u>
Net profit from discontinuing operation before tax	128,190,408	90,919,264
Profit before tax	<u>\$ 193,190,953</u>	<u>\$ 256,372,204</u>

Income tax expense at the statutory rate	\$	45,047,669	\$	55,820,398
Unappropriated retained earnings tax		6,234,312		-
Separate tax of JiangSu Honest compensation proceeds		47,971,102		-
Permanent differences		1,367,619		(1,303,744)
Unrecognized deferred income tax impact of temporary differences		(32,075,889)		1,140,958
Unrecognized deferred income tax impact of loss carryforward		33,725		(6,227,167)
Current income tax adjustment of previous years		(2,507,436)		(1,083,177)
Income tax expense recognized in profit or loss		66,071,102		48,347,268
Less: income tax from discontinuing operation		47,971,102		17,147,268
Income tax from continuing operations	\$	18,100,000	\$	31,200,000
Payable income tax (current income tax)	\$	64,792,483	\$	29,291,693
Add: Income tax payable at the beginning of the period		31,799,129		6,385,626
Unappropriated retained earnings tax		6,234,312		-
Less: income tax paid		(28,113,567)		(2,795,013)
Income tax adjustments on prior years		(2,507,436)		(1,083,177)
Effect of exchange rate changes		(220,916)		-
Income tax payable at the end of the period	\$	71,984,005	\$	31,799,129

4. Income tax expense recognized in other comprehensive income

The composition of income tax expenses recognized in other comprehensive income and loss in the current period is as follows:

	2022	2021
Remeasurement of defined benefit obligation	\$ 446,769	\$ 305,335

5. Income tax recognized directly in equity

The composition of income tax expenses directly recognized in equity in the current period is as follows:

	2022	2021
Discount amortization of corporate bonds	\$ 6,806,772	\$ -

6. Income tax examination

The Company's income tax return for profit-making enterprises as of 2020 has been approved and filed with the tax authority.

7. Information about unappropriated retained earnings

	December 31, 2022	December 31, 2021
Before 1997	\$ -	\$ -
After 1998	246,172,875	202,422,364
Total	<u>\$ 246,172,875</u>	<u>\$ 202,422,364</u>

(XIX) Equity

1. Share capital

On January 1, 2021, December 31, 2021 and December 31, 2022, the authorized share capital was NTD1,800,000,000, and the total paid-in capital was NTD1,082,500,000, divided into 108,250,000 shares, all of which were ordinary shares, with a nominal value of NTD10 per share.

2. Capital surplus

	December 31, 2022	December 31, 2021
Share premium	\$ 309,839	\$ 309,839
Consolidated premium	9,008,923	9,008,923
Convertible corporate bond options	27,227,088	-
Total	<u>\$ 36,545,850</u>	<u>\$ 9,318,762</u>

In accordance with the Company Act, the capital surplus shall not be used to make up for any loss, except when the surplus reserve is insufficient to cover the loss. In addition, capital surplus from the issuance of shares in excess of par value and the proceeds from gifts may be issued as new shares or cash in proportion to the shareholders' original shares according to the resolution of the shareholders' meeting.

3. Legal reserve

According to the provisions of the Company Act, when distributing earnings, the Company should first set aside 10% of earnings as the legal reserve, unless the legal reserve has reached the paid-in capital.

The legal reserve can be used to cover losses. If the Company has no losses, it may issue new shares or cash to the shareholders based on the portion of legal reserve which exceeds 25% of the paid-in capital.

4. Special reserve

The Company recognizes and reverses the special reserve in accordance with the provisions of Jin-Guan-Zheng-Fa-Zi No. 1010012865, Jin-Guan-Zheng-Fa-Zi No. 1010047490 and "Questions and Answers on Special Reserve after IFRSs Adoption". If the balance of other equity decreases subsequently has been reversed, the retained earnings may be distributed for the reversed part. In addition, the FSC

has issued the Jin-Guan-Zheng-Fa-Zi No. 1090150022 letter on March 31, 2021. After the issuance of the letter, the original Jin-Guan-Zheng-Fa-Zi No. 1010012865 letter and the original Jin-Guan-Zheng-Fa-Zi No. 1010047490 letter were abolished on December 31, 2021 and March 31, 2021 respectively. The Company will follow the relevant letters and orders.

#### 5. Earnings distribution

If there is any surplus after the Company's annual final settlement, the Company shall set aside 10% as legal reserve after covering the accumulated loss and paying taxes first, except when the legal reserve has reached the amount of the Company's paid-in capital; In addition, after setting aside special surplus reserve according to the operating needs of the Company and the law, and distributing dividends, for the surplus, if any, and the undistributed earnings at the beginning of the period, a distribution proposal shall be prepared and submitted by the Board of Directors to the shareholders' meeting for approval.

The special reserve mentioned above which is an accumulated portion that has not been fully provided for from the prior period, the same amount shall first be set aside from the undistributed earnings of the previous period. If there is still a shortfall, the amount shall be set aside from the net profit after tax of the current period and other items than the net profit after tax of the current period, which shall be recognized into the undistributed earnings of the current period.

The Company's earnings distribution plan for the year 2021 adopted by the shareholders' meeting on May 27, 2022 is as follows:

Item	2021
Legal reserve	\$ 20,242,236
Special reserve	1,203,874
Cash dividends	56,290,000 (NTD0.52 per share)

The Company's earnings distribution plan for the year 2022 proposed by the Board of Directors on February 22, 2023 is as follows:

Item	2022
Legal reserve	\$ 12,148,662
Cash dividends	86,600,000 (NTD0.80 per share)

As for the 2022 earnings distribution plan, it is still to be decided at the shareholders' meeting on May 26, 2023.

In addition, the earnings distribution and loss allocation adopted by the Board of Directors and the resolution of the Shareholders' Meeting of the Company can be viewed from the Market Observation Post System.

#### 6. Dividend policy

The Company's dividend policy aims to meet the needs of the Company's

development and investment and takes into account the interests of shareholders. Without other special circumstances, the annual dividend distribution shall be at least 10% of the current year's distributable earnings after deducting the legal reserve and special reserve, and the cash dividend shall be at least 30% of the current year's total dividend.

7. Other equity interest

The relevant exchange differences arising from the conversion of the net assets of foreign operation from their functional currencies to New Taiwan Dollars are directly recognized as other comprehensive profits and losses and accumulated in the exchange differences items of the financial statements of foreign operation under other equity items.

8. Non-controlling interests

Changes in non-controlling interests:

	December 31, 2022	December 31, 2021
Opening balance	\$ 4,359,588	\$ (2,515,776)
Share of net profit attributable to the non-controlling interests for the period	7,420,305	6,823,912
Profit		
Exchange differences arising on translation of foreign financial statements	71,514	51,452
Ending balance	<u>\$ 11,851,407</u>	<u>\$ 4,359,588</u>

The subsidiaries of the Company have no significant non-controlling interests.

(XX) Earnings per share

	2022		
	Current net profit (numerator)	Weighted average number of outstanding shares (denominator)	Earnings per share
<u>Earnings per share - basic</u>			
Net profit from continuing operation attributable to owners of the parent company for the period	\$ 46,900,526		\$ 0.44
Net profit from discontinuing operation attributable to owners of the parent company for the period	<u>72,799,020</u>		<u>0.67</u>
Net profit attributable to owners of the parent company for the period	<u>\$ 119,699,546</u>	108,250,000 shares	<u>\$ 1.11</u>



# Earnings per share - diluted

Net profit from continuing operation attributable to owners of the parent company for the period	\$ 46,900,526		
Effect of potential dilutive common shares			
- Remuneration to the employees		67,997 shares	
- Convertible bond	3,257,877	4,870,130 shares	
Net profits from continuing operation attributable to owners of the parent company for the period plus effect of potential ordinary shares	<u>50,158,403</u>		\$ 0.45
Net profit from discontinuing operation attributable to owners of the parent company for the period	<u>72,799,020</u>		<u>0.64</u>
Net profit attributable to owners of the parent company for the period	<u>\$ 122,957,423</u>	<u>113,188,127 shares</u>	<u>\$ 1.09</u>

2021

	Current net profit (numerator)	Weighted average number of outstanding shares (denominator)	Earnings per share
<u>Earnings per share - basic</u>			
Net profit from continuing operation attributable to owners of the parent company for the period	\$ 134,252,938		\$ 1.24
Net profit from discontinuing operation attributable to owners of the parent company for the period	<u>66,948,086</u>		<u>0.62</u>
Net profit attributable to owners of the parent company for the period	<u>\$ 201,201,024</u>	108,250,000 shares	<u>\$ 1.86</u>

# Earnings per share - diluted

Net profit from continuing operation attributable to owners of the parent company for the period	\$ 134,252,938		\$ 1.24
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Effect of potential dilutive common shares			
- Remuneration to the employees		47,244 shares	
Net profit from discontinuing operation attributable to owners of the parent company for the period	66,948,086		0.62
Net profit attributable to owners of the parent company for the period	<u>\$ 201,201,024</u>	<u>108,297,244 shares</u>	<u>\$ 1.86</u>

The weighted average number of ordinary shares is calculated as follows:

	December 31, 2022	December 31, 2021
Ordinary shares issued at the beginning of the period	108,250,000 shares	108,250,000 shares
Current change	-	-
Ordinary shares issued at the end of the period	<u>108,250,000 shares</u>	<u>108,250,000 shares</u>
Weighted average number of ordinary shares	<u>108,250,000 shares</u>	<u>108,250,000 shares</u>

(XXI) Employee benefits, depreciation, depletion, and amortization expense for this period are summarized by function as follows:

Classification \ Function	2022				
	Operating costs	Operating expenses	Total	Less: discontinuing operation	Continuing operations
Employee benefits expenses					
Salary expenses	\$ 109,377,672	\$ 59,528,470	\$ 168,906,142	\$ -	\$ 168,906,142
Labor and national health insurance expenses	11,242,714	5,915,049	17,157,763	-	17,157,763
Pension expenses	4,727,171	2,807,216	7,534,387	-	7,534,387
Other employee benefit expenses	9,336,037	3,149,456	12,485,493	-	12,485,493
Depreciation expense (Note)	173,564,632	22,047,150	195,611,782	-	195,611,782

Classification \ Function	2021				
	Operating costs	Operating expenses	Total	Less: discontinuing operation	Continuing operations
Employee benefits expenses					
Salary expenses	\$ 96,609,969	\$ 68,691,653	\$ 165,301,622	\$ (1,486,931)	\$ 163,814,691
Labor and national health insurance expenses	10,027,843	5,481,337	15,509,180	(126,979)	15,382,201
Pension expenses	4,208,797	2,669,682	6,878,479	-	6,878,479
Other employee benefit expenses	7,415,241	3,024,671	10,439,912	(100,340)	10,339,572
Depreciation expense (Note)	161,720,055	24,202,675	185,922,730	-	185,922,730

Note: The depreciation of assets available for lease of the consolidated Company in 2022 and 2021 was recognized as non-operating income and expenses, both of which were NTD 954,144.

Remuneration to the employees and directors (supervisors) as per the Articles of Incorporation is summarized below:

When there is profit in the annual closing, the employee's remuneration shall not be less than 1% and the director's remuneration shall not be higher than 3%. However, when the Company still has accumulated losses, it should reserve the profit to make up for the loss. The counterparts to which the employee remuneration referred to in the preceding paragraph is to be paid in stock or cash include the employees of the subsidiary company upon the approval of the Board of Directors.

The estimated employee remuneration and director (supervisor) remuneration of the Company in 2022 and 2021 are as follows:

	2022	2021
Remuneration to the employees	\$ 1,420,000	\$ 2,400,000
Remuneration to the directors (supervisors)	\$ 1,600,000	\$ 4,500,000

The above is based on the balance of the Company's profits after deducting accumulated losses during that period and recognized as current expenses. However, if there is any difference between the actual distribution amount and the estimated amount, it is listed as the profit and loss of the next year.

The estimated employee remuneration of the Company in 2021 and 2020 is NTD2,400,000 and NTD0 respectively, and the director (supervisor) remuneration is NTD4,500,000 and NTD0 respectively, which is not different from the actual distribution amount.

In addition, relevant information about the remuneration of employees and directors (supervisors) of the Company can be viewed from the Market Observation Post System.

(XXII) Revenue from customer contracts

Breakdown of income:

		2022		
		Key products		
Key Market Region	Basic chemicals	Specialty chemicals	Electronic chemicals	Total
Taiwan	\$ 1,257,687,237	\$ 257,706,140	\$ 467,817,119	\$ 1,983,210,496
Mainland China	-	331,919	-	331,919
Japan	-	113,200,355	-	113,200,355
United States	-	187,357,298	-	187,357,298
Other	2,375,731	20,193,379	-	22,569,110
Total	1,260,062,968	578,789,091	467,817,119	2,306,669,178
Less: proceeds from discontinuing operation	-	-	-	-
Proceeds from continuing operations	\$ 1,260,062,968	\$ 578,789,091	\$ 467,817,119	\$ 2,306,669,178

		2021		
		Key products		
Key Market Region	Basic chemicals	Specialty chemicals	Electronic chemicals	Total
Taiwan	\$ 1,090,717,607	\$ 236,109,823	\$ 521,762,095	\$ 1,848,589,525
Mainland China	-	16,715,539	-	16,715,539
Japan	-	72,174,889	-	72,174,889
United States	-	66,611,231	-	66,611,231
Other	2,793,385	15,936,318	-	18,729,703
Total	1,093,510,992	407,547,800	521,762,095	2,022,820,887
Less: proceeds from discontinuing operation	-	(9,889,657)	-	(9,889,657)
Proceeds from continuing operations	\$ 1,093,510,992	\$ 397,658,143	\$ 521,762,095	\$ 2,012,931,230

(XXIII) Total interest income

The consolidated Company's interest income is analyzed below:

	2022	2021
Bank deposit interest	\$ 2,347,016	\$ 776,980
Interest income from financing lease	90,827	133,764
Total	2,437,843	910,744
Less: interest income from discontinuing operation	(2,299,675)	(770,783)
Add: Interest income charged by continuing operation from discontinuing operation	-	70,259

Interest income from continuing operations	\$	138,168	\$	210,220
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(XXIV) Other income

The consolidated Company's other income is analyzed below:

	2022	2021
Rental income	\$ 1,725,890	\$ 1,744,310
Government grants income	126,431,359	52,273,738
Proceeds from insurance claim	-	92,000
Other income - others	1,560,753	4,337,691
Total	129,718,002	58,447,739
Less: other income from discontinuing operation	(126,293,969)	(48,163,406)
Other income from continuing operations	\$ 3,424,033	\$ 10,284,333

(XXV) Other gains and losses

The consolidated Company's other gains and losses are analyzed below:

	2022	2021
Net gains from disposal of property, plant and equipment	\$ 4,107,482	\$ 1,775,456
Gains from disposal of non-current assets held for sale	-	31,051,410
Gain on foreign exchange, net	1,159,218	416,031
Financial assets or liabilities at fair value through profit or loss	(900,000)	-
Depreciation of assets for lease	(954,144)	(954,144)
Miscellaneous disbursements	(489,237)	(310,073)
Total	2,923,319	31,978,680
(Add) Less: other income and loss from discontinuing operation	(7,031)	31,923,978
Add: Exchange difference of interest income charged by continuing operation from discontinuing operation	-	510
Other income and loss from continuing operations	\$ 2,930,350	\$ 55,212

(XXVI) Finance costs

The consolidated Company's finance costs are analyzed below:

	2022	2021
Bank loans interest	\$ 6,456,371	\$ 4,970,463
Commercial paper interest payable	1,362,350	472,716
Corporate bonds interest	3,172,346	-
Imputed interest of guarantee deposits and margins received	1,812	1,812

Interest on lease liabilities	155,989	124,385
Bank charges	4,385	22,407
Less: capitalization of borrowing costs	(3,448,027)	(837,237)
Total	7,705,226	4,754,546
Less: financial cost of discontinuing operation	(4,385)	(206,220)
Add: Loan and interest paid by discontinuing operation to continuing operation	-	70,769
Financial cost of discontinuing operation	<u>\$ 7,700,841</u>	<u>\$ 4,619,095</u>

The capitalized amount of borrowing costs of the consolidated Company in 2022 and 2021 was NTD3,448,027 and NTD837,237 respectively, and the capitalized interest rates in 2022 and 2021 were 1.64% and 1.00% respectively.

(XXVII) Additional information of expenses by nature

The following items have been deducted from the consolidated Company's net profit after tax:

	2022	2021
Depreciation and amortization expense		
Depreciation of property, plant and equipment	\$ 192,621,578	\$ 183,944,779
Depreciation of right-of-use assets	3,835,868	2,823,615
Depreciation of investment property	108,480	108,480
Total	<u>196,565,926</u>	<u>186,876,874</u>
Research and development expenditures recognized as expenses when incurred	<u>23,389,635</u>	<u>28,368,676</u>
Employee benefits expenses		
Post-employment benefits		
Defined contribution plans	7,238,389	6,464,169
Defined benefit plans	295,998	414,310
Subtotal	<u>7,534,387</u>	<u>6,878,479</u>
Other employee benefits	<u>198,549,398</u>	<u>191,250,714</u>
Total	<u>206,083,785</u>	<u>198,129,193</u>
Total	<u>426,039,346</u>	<u>413,374,743</u>
Less: expense from discontinuing operation	-	(1,714,250)
Expense from discontinuing operations	<u>\$ 426,039,346</u>	<u>\$ 411,660,493</u>

(XXVIII) Financial instruments

1. Categories of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Measured at amortized cost		
Cash and cash equivalents	\$ 261,670,710	\$ 202,387,155
Notes and accounts receivable	582,018,445	675,720,249
Other receivables	4,251,359	1,594,438
Finance lease receivables	985,117	1,854,290
Refundable deposits paid	23,428,726	18,468,047
Overdue receivables	-	-
Total	<u>\$ 872,354,357</u>	<u>\$ 900,024,179</u>
Financial liabilities		
Financial liabilities held for trading measured at fair value through profit or loss	\$ 3,900,000	\$ -
Measured at amortized cost		
Short-term loans	143,481,548	42,970,973
Short-term notes payable	89,894,225	64,956,952
Notes and accounts payable	200,288,206	206,340,827
Other payables	175,746,339	151,091,426
Lease liabilities	9,800,298	9,004,241
Bonds payable	563,897,016	-
Long-term loans	-	471,428,560
Guarantee deposits and margins received	324,432	324,432
Subtotal	<u>1,183,432,064</u>	<u>946,117,411</u>
Total	<u>\$ 1,187,332,064</u>	<u>\$ 946,117,411</u>

2. Financial risk management objectives

With regard to financial risk management, the consolidated Company is to manage the exchange rate risk, interest rate risk, credit risk and liquidity risk related to operating activities. To reduce relevant financial risks, the consolidated Company is committed to identifying, evaluating and avoiding market uncertainty, so as to reduce the potential negative impact of market changes on the Company's financial performance.

3. Market risk

The main market risks borne by the consolidated Company due to its operating activities are the fluctuation of foreign exchange rate and interest rate. The consolidated Company always keeps a close eye on and responds to the possible risks caused by changes in exchange rates. In addition, the consolidated Company adjusts its own funds and bank borrowings flexibly to meet the needs of operation. As the current market interest rate has kept low for a while, there is no significant risk of interest rate change, so the Company does not manage interest rate risk with

derivative financial instruments.

(1) Foreign currency risk

Some of the consolidated Company's operating activities and net investment in foreign operation are mainly traded in foreign currencies, thus it is exposed to exchange rate risk. To protect the value of assets in foreign currency and the fluctuation of future cash flow due to the change of exchange rate, the consolidated Company assesses its risk from time to time, which should be sufficient to avoid large-scale exchange rate risk and reduce the impact of exchange rate on the consolidated Company's operation.

Since the net investment of foreign operation is strategic investment, the consolidated Company has not hedged it.

The sensitivity analysis of foreign currency exchange rate risk is mainly calculated for monetary items in foreign currency at the end of the financial reporting period. When the NT dollar appreciates/depreciates by 1% against the US dollar, the consolidated Company's net profit in 2022 and 2021 would increase/decrease by NTD8,203 and NTD27,137, accordingly.

(2) Interest rate risk

Interest rate risk refers to the risk of changes in the fair value of financial instruments and changes in cash flows caused by changes in market interest rates. The consolidated Company's interest rate risk includes the above two.

The sensitivity analysis of interest rate risk is based on the interest rate exposure of non-derivative financial instruments at the end of the financial reporting period. If the interest rate rises/falls by 0.1%, the net profit of the consolidated Company in 2022 and 2021 will increase/decrease by NTD62,814 and NTD483,488, accordingly.

(3) Other price risk

The consolidated Company has no significant other price risk.

4. Credit risk management

Credit risk refers to the risk that a counterpart will default on its contractual obligations resulting in financial losses to the consolidated Company. The policy adopted by the consolidated Company is to try to trade with reputable counterpart to minimize the risk of financial losses. In addition to the credit investigation before the transaction, the consolidated Company also continues to monitor the credit risk and the credit status of the counterpart during the transaction, and focus on the diversification of customer sources and the expansion of overseas markets to reduce customer concentration risk.

For customers whose balance of trade receivables at the end of 2022 and 2021 exceeds 5% of the total balance at the end of the period, their total balance of trade



receivables accounts for 29.52% and 28.95% of the total balance of trade receivables of the Company in 2022 and 2021, respectively. The consolidated Company has continuously evaluated the financial situation of major sales customers, so as to reduce credit risk.

In addition, the credit risk and concentration risk are also limited because the counterparts of the working capital are several banks with a high credit rating given by an international credit rating agency.

#### 5. Liquidity risk management

With regard to liquidity risk management, the consolidated Company is to maintain the cash and equivalent cash required for operation, highly liquid securities and sufficient bank financing lines, so as to ensure that the consolidated Company has sufficient financial flexibility.

The table below summarizes the maturity profile of the consolidated Company's financial liabilities based on contractual undiscounted payments.

December 31, 2022						
	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total
Non-derivative financial liabilities						
Short-term loans	\$ 143,481,548	\$ -	\$ -	\$ -	\$ -	\$ 143,481,548
Short-term notes payable	90,000,000	-	-	-	-	90,000,000
Note payable	17,505,926	-	-	-	-	17,505,926
Accounts payable	182,782,280	-	-	-	-	182,782,280
Other payables	173,298,339	816,000	816,000	816,000	-	175,746,339
Lease liabilities	2,232,386	2,129,719	3,588,433	2,057,636	-	10,008,174
Bonds payable	-	-	-	600,000,000	-	600,000,000
Total	\$ 609,300,479	\$ 2,945,719	\$ 4,404,433	\$ 602,873,636	\$ -	\$ 1,219,524,267
December 31, 2021						
	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total
Non-derivative financial liabilities						
Short-term loans	\$ 42,970,973	\$ -	\$ -	\$ -	\$ -	\$ 42,970,973
Short-term notes payable	65,000,000	-	-	-	-	65,000,000
Note payable	23,240,560	-	-	-	-	23,240,560
Accounts payable	183,100,267	-	-	-	-	183,100,267
Other payables	151,091,426	-	-	-	-	151,091,426
Lease liabilities	1,615,719	1,489,053	2,773,532	3,332,746	-	9,211,050
Long-term loans	163,904,765	31,571,430	63,142,860	189,428,580	23,380,925	471,428,560
Total	\$ 630,923,710	\$ 33,060,483	\$ 65,916,392	\$ 192,761,326	\$ 23,380,925	\$ 946,042,836

6. Fair value of financial instruments

The consolidated Company believes that the carrying amount of financial assets and financial liabilities not measured at fair value, other than corporate bonds payable, approximates their fair value:

	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost-convertible corporate bond	\$ 563,897,016	\$ -	\$ 572,160,000	\$ -	\$ 572,160,000

7. Foreign currency assets and liabilities with significant exchange rate fluctuations

If the business of the consolidated Company involves non-functional currencies, the foreign currency assets and liabilities affected by exchange rate fluctuations are as follows:

		December 31, 2022				2022
		Currency	Foreign currency amount	Measured exchange rate at the end of the period	NTD	Exchange (loss) gains generated
<u>Monetary items</u>						
Financial assets						
Cash and cash equivalents	USD	\$	58,840	30.708	\$ 1,790,149	\$ -
Accounts receivable	USD		987,440	30.708	30,322,308	(628,403)
Accounts receivable	JPY		10,253,973	0.2349	2,408,658	116,895
Financial liabilities						
Short-term loans	USD		601,848	30.708	18,481,548	186,257
Accounts payable	USD		471,144	30.708	14,604,690	134,470
Exchange gains and losses arising from general transactions						1,349,999
Total						\$ 1,159,218
		December 31, 2021				2022
		Currency	Foreign currency amount	Measured exchange rate at the end of the period	NTD	Exchange (loss) gains generated
Financial assets						
Cash and cash equivalents	USD	\$	31,475	27.690	\$ 884,227	\$ -
Accounts receivable	USD		1,130,932	27.690	31,391,428	-

	RMB	315,400	4.3592	1,364,105	-
	JPY	7,403,250	0.2406	1,795,288	-
Financial liabilities					
Short-term loans	USD	826,689	27.690	22,970,973	-
Accounts payable	USD	237,715	27.690	6,631,222	-
				Exchange gains and losses arising from general transactions	416,031
				Total	\$ 416,031

The non-monetary items of the consolidated Company have not been disclosed because they have no significant impact of exchange rate fluctuations.

(XXIX) Capital management

The capital management of the consolidated Company is to provide shareholders with adequate remuneration by maintaining the optimal capital structure on the premise of continuous operation and growth. The consolidated Company's capital structure management strategy is based on such factors as the industrial scale of the consolidated Company's business, the future growth of the industry, the product development blueprint and the changes in the external environment, to plan the required capacity, the plant and equipment required to achieve this capacity and the corresponding capital expenditure. Then the required working capital and cash are calculated based on characteristics of the industry, to estimate the possible product profit, operating profit rate and cash flow, and consider the risk factors such as the industrial cycle fluctuations and product life cycle so as to determine the most appropriate capital structure of the consolidated Company.

The consolidated Company's debt ratio at the end of 2022 and 2021 was as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 1,275,758,559	\$ 1,114,272,121
Total assets	\$ 2,854,780,982	\$ 2,592,677,411
Liability proportion	44.69%	42.98%

There is no significant difference between the debt ratio at the end of 2022 and 2021.

**VII. Related Party Transaction**

(I) Name and relationship of related party

<u>Related party name</u>	<u>Relationship with the Company</u>
Everlight Chemical Industrial Corp. (Everlight Chemical)	Legal person director of the Company
TYS Technology Corporation Limited (TYS) (Note)	The general manager of the Company is the director of the Company

Note: The general manager newly appointed by the Company on March 1, 2022 is the director of the TYS. Since his appointment, he has additionally disclosed major

transactions with the TYS.

(II) Significant transactions with related parties

The amount and balance of transactions between the Company and its subsidiaries have been cleared up during the preparation of the consolidated financial report and have not been disclosed in this note. The following is a summary of significant transactions between the Company and its subsidiaries and other related parties:

Operating revenue- revenue from sale of goods

1. Transaction amount

	2022	2021
Everlight Chemical	\$ 40,885,532	\$ 45,824,066
TYS	\$ 26,533,552	-
Total	\$ 67,419,084	\$ 45,824,066

2. Outstanding balance (accounts receivable due from related parties, net)

	2022	2021
Everlight Chemical	\$ 14,982,359	\$ 20,831,095
TYS	\$ 3,966,262	-
Total	\$ 18,948,621	\$ 20,831,095

The consolidated Company sells to related parties based on inventory cost-plus price, and the monthly collection period is 65~90 days. The sales and collection conditions of the Company are not significantly different from unrelated parties.

(III) Remuneration of key management personnel

The consolidated Company's current compensation for the main management personnel is as follows:

	2022	2021
Short-term benefits	\$ 12,637,600	\$ 15,865,183
Post-employment benefits	321,624	321,624
Other long-term employee benefits	-	-
Post-employment benefit	-	-
Share-based payment	-	-
Total	\$ 12,959,224	\$ 16,186,807

Short-term benefits include salary, bonus and employee remuneration.

**VIII. Pledged Assets**

The following assets (cost or carrying amount) have been provided as guarantee for obtaining the loan limit and performance guarantee of financial institutions:

	December 31, 2022	December 31, 2021
Land	\$ 237,920,762	\$ 237,920,762
Property and building	42,597,575	47,353,319
Other	4,623,815	5,504,567

Total	\$	285,142,152	\$	290,778,648
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**IX. Material Contingent Liabilities and Unrecognized Contractual Commitments**

The major commitments and contingencies of the consolidated Company at the end of 2022 are as follows:

- (I) The unused letter of credit issued for domestic and foreign purchases is NTD40,000,000.
- (II) The guaranteed notes issued for obtaining the loan commitments from financial institutions are NTD780,000,000 and USD8,000,000.
- (III) The guarantee note issued for the sale of goods is NTD1,980,375.
- (IV) To expand the production scale, the total price of outstanding major equipment purchase contracts signed with various manufacturers is NTD712,640,667, and the unpaid amount is NTD390,956,950.
- (V) A contract was signed with Taiwan BASF Electronic Materials Co., Ltd., which agreed that part of the Company's land and plant would be used by Taiwan BASF Electronic Materials Co., Ltd., with certain rent charged, provided that it purchased sulfuric acid from the Company. The contract will expire on December 12, 2009. The contract will be automatically renewed for one year upon expiration. The contract is still performed on December 31, 2022.

**X. Losses Due to Major Disasters: None.**

**XI. Major Subsequent Events: None.**

**XII. Other: None.**

**XIII. Notes to Disclosures**

- (I) Information on significant transactions
  - 1. Lending funds to others: None.
  - 2. Providing endorsements or guarantees for others: None.
  - 3. Holding of marketable securities at the end of the period: None.
  - 4. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20% of paid-in capital or more: None.
  - 5. Acquisition of property reaching NT\$300 million or 20% of paid-in capital or more: None.
  - 6. Disposal of property reaching NT\$300 million or 20% of paid-in capital or more: None.
  - 7. The purchase and sale of goods with related parties reaching NT\$100 million or

20% of paid-in capital or more: None.

8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Trading in derivative instruments: None.
10. The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: None.

(II) Information on investees

1. Information of investee: See table 1 attached.
2. Information related to major transactions of the investee: None.

(III) Information on investment in Mainland China: See table 2 attached.

(IV) Information on major shareholders: See table 2 attached.

**XIV. Department Information**

(I) Profit and loss of operating segments information

The consolidated Company prepares the financial statements based on the same basis as the summary of significant accounting policies described in Note 4 in the years of 2022 and 2021, and the information about the operating segments is described below:

2022	Department of basic chemicals	Department of specialty chemicals	Department of electronic chemicals	Adjustments	Less: discontinuing operation	Continuing operations
Income						
Income from external customers	\$ 1,260,062,968	\$ 578,789,091	\$ 467,817,119	\$ -	\$ -	\$ 2,306,669,178
Income from each department	-	-	-	-	-	-
Total income	<u>\$ 1,260,062,968</u>	<u>\$ 578,789,091</u>	<u>\$ 467,817,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,306,669,178</u>
Segment profit (loss) before tax	<u>\$ 1,260,062,968</u>	<u>\$ 205,562,156</u>	<u>\$ 2,490,932</u>	<u>\$ (69,822,432)</u>	<u>\$ 128,190,408</u>	<u>\$ 65,000,545</u>
2021	Department of basic chemicals	Department of specialty chemicals	Department of electronic chemicals	Adjustments	Less: discontinuing operation	Continuing operations
Income						
Income from external customers	\$ 1,093,510,992	\$ 407,547,800	\$ 521,762,095	\$ -	\$ 9,889,657	\$ 2,012,931,230
Income from each department	-	-	-	-	-	-
Total income	<u>\$ 1,093,510,992</u>	<u>\$ 407,547,800</u>	<u>\$ 521,762,095</u>	<u>\$ -</u>	<u>\$ 9,889,657</u>	<u>\$ 2,012,931,230</u>
Segment profit (loss) before tax	<u>\$ 83,436,865</u>	<u>\$ 124,806,966</u>	<u>\$ 132,550,747</u>	<u>\$ (84,422,374)</u>	<u>\$ 90,919,264</u>	<u>\$ 165,452,940</u>

The Company and its subsidiaries have three reportable segments: Department of Basic Chemicals, Department of Specialty Chemicals and Department of Electronic Chemicals. The Department of Basic Chemicals focuses on the production, marketing

and trading of various inorganic chemicals such as sulfuric acid, liquid alkali, hydrochloric acid and polyaluminum chloride. The Department of Specialty Chemicals is engaged in the production, marketing and trading of chemicals such as special dyeing pigments and intermediates, functional intermediates, toluene sulfonation series products and thermal paper coating materials. Department of Electronic Chemicals is specialized in the production, marketing and trading of electronic grade sulfuric acid, LCD special developer and other formula products in the electronic industry.

The reportable segments of the Company and its subsidiaries are strategic business entities to provide different products. Different segments are managed separately since different strategic business departments need different technology and marketing strategies.

Accounting policies adopted by the operating segments are the same as the summary of significant accounting policies. The profit and loss of the operating segments of the Company and its subsidiaries are measured by the pre-tax profit and loss and used as the basis for evaluating performance. The profits and losses of the management departments such as the Audit Office, the General Manager's Office, the R&D Center, the Procurement Department, the Finance and Accounting Department and the Human Resources Department, not used by the operation decision-makers to measure the departmental performance, are separately included in the adjustment items. The Company and its subsidiaries do not provide the operating decision-makers with interest income (expense), depreciation and amortization, total assets and total liabilities for their decision-making.

(II) Product and service information

	Operating revenue in 2022	Operating revenue in 2021
Basic chemicals series	\$ 1,260,062,968	\$ 1,093,510,992
Specialty chemicals series	578,789,091	407,547,800
Electronic chemicals series	467,817,119	521,762,095
Total	2,306,669,178	2,022,820,887
Less: product and service information from discontinuing operation	-	(9,889,657)
Product and service information from continuing operations	\$ 2,306,669,178	\$ 2,012,931,230

(III) Geographic information

1. Income from external customers

	2022	2021
Taiwan	\$ 1,983,210,496	\$ 1,848,589,525
Mainland China	331,919	16,715,539
Japan	113,200,355	72,174,889
United States	187,357,298	66,611,231

Other	22,569,110	18,729,703
Total	2,306,669,178	2,022,820,887
Less: proceeds from external customers of discontinuing operation	-	(9,889,657)
Proceeds from external customers of continuing operations	<u>\$ 2,306,669,178</u>	<u>\$ 2,012,931,230</u>

2. Non-current assets

	2022	2021
Taiwan	\$ 1,660,185,629	\$ 1,341,788,937
Mainland China	-	-
Total	<u>\$ 1,660,185,629</u>	<u>\$ 1,341,788,937</u>

(IV) Major customer information

Customers of consolidated Company accounting for more than 10% of the operating revenue of continuing operation:

Customer Name	2022			2021		
	Amount of sales	Proceeds from continuing operations %	Sales department	Amount of sales	Proceeds from continuing operations %	Sales department
Customer A	<u>\$ 163,015,589</u>	7.07%	Electronic chemicals	<u>\$ 212,519,596</u>	10.56%	Electronic chemicals



CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD. AND SUBSIDIARIES  
INFORMATION ON INVESTEEES (EXCLUDING INVESTEE COMPANIES IN CHINA)  
FOR THE YEARS ENDED DECEMBER 31, 2022

TABLE 1

(Expressed in Thousands of New Taiwan Dollars)

Investment company	Invested company	Location	Business scope	Original investment amount		Holding of investment at the end of the period			Invested company's profit and/or loss this term	Profit and/or loss recognized this term	Remark
				End of the current period	End of last year	Quantity (thousand)	Proportion	Carrying amount			
Chung Hwa Chemical Industrial Works. Ltd.	Honest Fine Chemical Co., Ltd. (Note 1)	Samoa	Investment holding	\$ 212,146 (USD 6,620 thousand)	\$ 212,146 (USD 6,620 thousand)	5,400	90.75%	\$ 116,272	\$ 80,220	\$ 72,799 (Note 2)	Subsidiary

Note 1: On December 22, 2020, the Board of Directors of the Company passed a resolution for the liquidation of Honey Fine Chemical Co., Ltd., and by the end of 2022, the subsequent liquidation was still in progress.

Note 2: The above long-term investment and recognized share of profit and loss using the equity method have been cleared up when preparing the consolidated statements.

**CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD. AND SUBSIDIARIES**  
**INFORMATION ON INVESTMENT IN MAINLAND CHINA**  
**FOR THE YEARS ENDED DECEMBER 31, 2022**

**TABLE 2**

(Expressed in Thousands of New Taiwan Dollars)

Name of Mainland investee	Business scope	Paid-in shares capital	Investment method (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Invested company's profit and/or loss this term	The Company's direct or indirect holding percentage	Profit and/or loss recognized this term (Note 2)	Carrying amount as of December 31, 2022	Accumulated inward remittance of earnings as of December 31, 2022
					Outflow	Inflow						
Xinyuan Advanced Chemical (Shanghai) Co., Ltd.	Research and development, production, analysis and sales of high-tech chemicals for processing electronics and providing after-sales technical services.	\$ 59,445 (USD 1,800 thousand)	(2) (Note 3)	\$ 2,908 (USD 84 thousand)	\$ -	\$ -	\$ 2,908 (USD 84 thousand)	\$ -	2.00%	\$ -	\$ - (Note 6)	\$ -
JiangSu Honest Fine Chemical Co., Ltd.	Production and sales of fine chemical products.	260,469 (USD 7,400 thousand)	(2) (Note 4.5)	212,146 (USD 6,620 thousand)	\$ -	\$ -	212,146 (USD 6,620 thousand)	80,219	90.75%	72,799 (2)B	116,203	-
				\$ 215,054	\$ -	\$ -	\$ 215,054	\$ 80,219		\$ 72,799	\$ 116,203	\$ -

Accumulated investment in Mainland China as of December 31, 2022	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
\$ 215,054 (USD 6,704 thousand)	\$ 215,054 (USD 6,704 thousand)	\$ 947,413 (Note 7)

Note 1: There are three types of investment methods, and they indicated below:

- (1) Directly conduct investment in China.
- (2) Reinvest in the Mainland through companies in a third jurisdiction (please indicate the investment companies in the third jurisdiction).
- (3) Other methods.

Note 2: Profit and/or loss recognized this term:

- (1) It should be noted if it is under preparation without investment profit or loss
- (2) It's noted that the recognition basis of investment gains and losses is divided into the following three types:
  - A. Financial statements audited and certified by an international accounting firm that has a cooperative relationship with the Republic of China accounting firm
  - B. Financial statements reviewed by the CPA of the parent company in Taiwan
  - C. Other

Note 3: The Company re-invests Xinyuan Advanced Chemical (Shanghai) Co., Ltd. through Chemfarm Advanced Chemicals Inc.

Note 4: The Company reinvested in JiangSu Honest Fine Chemical Co., Ltd. through its sub-subsidiary Honest Fine Chemical Co., Ltd.

Note 5: On August 11, 2020, the Board of Directors adopted the resolution for the close down of JiangSu Honest Fine Chemical Co., Ltd at in 2020. By the end of 2022, the liquidation was still ongoing.

Note 6: The investee Xinyuan Advanced Chemical (Shanghai) Co., Ltd. completed the dissolution and liquidation procedures in January 2008.

Note 7: According to the regulations of the Investment Review Commission of the Ministry of Economic Affairs, the investment ceiling is 60% of the net value or the combined net value, whichever is higher.

(Carried forward)

(Brought forward)

Note 8: The major transactions between the Company and the Mainland investee directly or indirectly through the third jurisdiction are as follows:

- (1) The amount and percentage of purchase and the closing balance and percentage of related payables: no significant transactions.
- (2) The amount and percentage of sales and the closing balance and percentage of related receivable: no significant transactions.
- (3) The amount of property transactions and the amount of profits and losses generated: no significant transactions.
- (4) Ending balance and purpose of bill endorsement and guarantee or provision of collateral: no significant transactions.
- (5) The maximum balance, ending balance, interest rate range and total interest of the current period of the financing:

Upon the request of JiangSu Honest Fine Chemical Co., Ltd., the Company issues a loan to it:

	The loan limit approved by the Board of Directors		Amount allocated loan		Interest rate range	Total interest
	Maximum balance	Ending balance	Maximum balance	Ending balance		
2022	\$ -	\$ -	\$ -	\$ -	-	\$ -
2021	\$ 85,593 (USD 3,000 thousand)	\$ -	\$ 57,487 (RMB 13,000 thousand)	\$ -	1.50%	\$ 70

- (6) Other transactions that have a significant impact on the current profit and loss or financial situation: no significant transactions.  
Significant transactions between the Company and the investee in the Mainland have been cleared up the consolidated statements are prepared.

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD. AND SUBSIDIARIES  
INFORMATION ON MAJOR SHAREHOLDERS  
DECEMBER 31, 2022

TABLE 3

Name of major shareholders	Shareholding	Shares held	Ratio of shareholding
Wen-Yuan Kan		10,689,858	9.87%
Fengen Investment Co., Ltd.		8,208,368	7.58%
Zongen Investment Co., Ltd.		8,207,740	7.58%
Baoen Investment Co., Ltd.		7,208,523	6.65%
Jiaen Investment Co., Ltd.		6,139,207	5.67%
Wen-Chung Kan		5,758,690	5.31%
Everlight Chemical Industrial Corp.		5,500,000	5.08%

Note 1: In this chart, major shareholders are defined as shareholders with more than 5% collective holding interest in common and preferred shares that have been delivered via book entry (including treasury stocks), as shown in the records of TDCC on the final business day of each quarter. Share capital, as shown in the financial statements, may differ from the number of shares that have been delivered via book entry due to differences in the preparation basis.

Note 2: For shareholders who have placed shareholding under trust, the above information shall be provided based on trust accounts created by the trustee. In which case, these shareholders may be required under the Securities and Exchange Act to make regulatory reporting on insiders with more than 10% ownership interest, which include shares held in own name and shares placed under trust that the shareholder has control over. Refer to MOPS for information on the reporting of insider shareholding.