

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

**Parent Company Only Financial Statements  
and Independent Auditors' Report**

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

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**CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD. AND SUBSIDIARIES**  
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## 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., which comprise the parent company only balance sheets for the year ended December 31, 2022 and 2021, and the parent company only comprehensive income statements for the year ended December 31, 2022 and 2021, the parent company only statements of changes in equity and cash flows for the years then ended, and the parent company only notes to the financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and 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 Parent Company Only Financial Statements section of our report. We are independent of the Company 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 Parent Company Only Financial Statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matter for the Company's Parent Company Only Financial Statements for the year ended December 31, 2022 is stated as follows:

### Appropriateness of cutoff on the sales revenue

#### Key audit matters description

Please refer to Note IV(XV) to the Parent Company Only Financial Statements for accounting policies related to income recognition and refer to Note V(XXII) to the Parent Company Only Financial Statements for accounting item description.

The Company's net operating revenue was NTD2,306,669 thousand in 2022 - product sales was a 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(VIII) to the Parent Company Only Financial Statements for accounting policies related to depreciation of property, plant and equipment; and refer to Note VI(VII) to the Parent Company Only Financial Statements for accounting item description.

As of December 31, 2022, Chung Hwa Chemical Industrial Works. Ltd. had NTD1,465,215 thousand

property, plant and equipment, accounted for 52.42% of total assets. Pursuant to IAS 16 Property, Plant and Equipment, the 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., the appropriateness of provision for depreciation will have a significant impact on the financial performance of Chung Hwa Industrial Works. Ltd. 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.

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

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

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. 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 parent company only 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements 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 parent company only financial statements are intended only to present the parent company only 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 parent company only financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.*

**CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD. AND SUBSIDIARIES**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in Thousands of New Taiwan Dollars)

Assets			December 31, 2022		December 31, 2021		Liabilities and Stockholders' Equity			December 31, 2022		December 31, 2021	
Code	Accounting Items	Note	Amount	%	Amount	%	Code	Accounting Items	Note	Amount	%	Amount	%
11XX	<b>Current assets:</b>						21XX	<b>Current liabilities:</b>					
1100	Cash and cash equivalents	VI(I)	\$ 85,797	3.07	\$ 32,551	1.32	2100	Short-term loans	VI(XI)	\$ 143,482	5.13	42,971	1.74
1150	Notes receivable, net	VI(III)	159,260	5.70	148,488	6.03	2110	Short-term notes payable	VI(XII)	89,894	3.22	64,957	2.64
1170	Accounts receivable, net	VI(III)	403,810	14.15	504,004	20.46	2120	Financial liabilities at fair value through profit or loss - current	VI(II)(XV)	3,900	0.14	-	-
1180	Accounts receivable due from related parties, net	VI(III), VII(II)	18,949	0.68	20,831	0.85	2150	Note payable		17,506	0.63	23,241	0.94
1200	Other receivables	VI(IV)	4,251	0.15	1,594	0.06	2170	Accounts payable		182,782	6.54	183,100	7.43
130X	Inventories	VI(V)	300,464	10.75	327,437	13.29	2200	Other payables	VI(XIII)	175,746	6.29	151,022	6.13
1410	Advances to suppliers	VI(X)	7,494	0.27	11,498	0.47	2230	Current income tax liabilities	VI(XVIII)	24,234	0.87	31,799	1.29
1470	Other current assets	VI(X)	23,331	0.83	11,562	0.47	2280	Lease liabilities - current	VI(XIV)	4,248	0.15	3,012	0.12
	Total current assets		<u>1,003,356</u>	<u>35.90</u>	<u>1,057,965</u>	<u>42.95</u>	2320	Long-term liabilities - current portion	VI(XVI)	-	-	195,476	7.94
15XX	<b>Non-current assets:</b>						2399	Other current liabilities - others		5,998	0.21	1,612	0.07
1550	Investments accounted for using equity method	VI(VI)	116,272	4.16	42,771	1.74		Total current liabilities		<u>647,790</u>	<u>23.18</u>	<u>697,190</u>	<u>28.30</u>
1600	Property, plant and equipment	VI(VII), VIII	1,465,215	52.42	1,264,407	51.33	25XX	<b>Non-current liabilities:</b>					
1755	Right-of-use assets	VI(VIII)	9,753	0.35	8,981	0.37	2530	Bonds payable	VI(XV)	563,897	20.17	-	-
1760	Investment property, net	VI(IX)	15,673	0.56	15,782	0.64	2540	Long-term loans	VI(XVI)	-	-	275,952	11.20
1780	Intangible assets		-	-	-	-	2570	Deferred income tax liabilities	VI(XVIII)	10,444	0.37	3,285	0.14
1840	Deferred income tax assets	VI(XVIII)	14,283	0.51	11,929	0.48	2580	Lease liabilities - non-current	VI(XIV)	5,553	0.20	5,993	0.25
1975	Net defined benefit asset - non-current	VI(XVII)	307	0.01	-	-	2600	Other non-current liabilities					
1990	Other non-current assets - others	VI(III)(X)	<u>170,320</u>	<u>6.09</u>	<u>61,380</u>	<u>2.49</u>	2640	Net defined benefit liability - non-current	VI(XVII)	-	-	6,425	0.26
	Total non-current assets		<u>1,791,823</u>	<u>64.10</u>	<u>1,405,250</u>	<u>57.05</u>	2645	Guarantee deposits and margins received		<u>324</u>	<u>0.01</u>	<u>324</u>	<u>0.01</u>
								Other non-current liabilities, Subtotal		<u>324</u>	<u>0.01</u>	<u>6,749</u>	<u>0.27</u>
								Total non-current liabilities		<u>580,218</u>	<u>20.75</u>	<u>291,979</u>	<u>11.86</u>
								Total liabilities		<u>1,228,008</u>	<u>43.93</u>	<u>989,169</u>	<u>40.16</u>
							31XX	Equity					
							3110	Ordinary shares	VI(XIX)	1,082,500	38.73	1,082,500	43.95
							3200	Capital surplus	VI(XIX)	36,546	1.31	9,319	0.38
							3300	Retained earnings					
							3310	Legal reserve	VI(XIX)	201,251	7.20	181,009	7.35
							3320	Special reserve	VI(XIX)	15,659	0.56	14,455	0.58
							3350	Unappropriated Retained Earnings	VI(XVIII)	246,173	8.81	202,422	8.22
								Total retained earnings		<u>463,083</u>	<u>16.57</u>	<u>397,886</u>	<u>16.15</u>
							3400	Other equity interest	VI(XIX)	(14,958)	(0.54)	(15,659)	(0.64)
								<b>Total equity</b>		<u>1,567,171</u>	<u>56.07</u>	<u>1,474,046</u>	<u>59.84</u>
<b>Total assets</b>			<u>\$ 2,795,179</u>	<u>100.00</u>	<u>2,463,215</u>	<u>100.00</u>	<b>Total liabilities and equity</b>			<u>\$ 2,795,179</u>	<u>100.00</u>	<u>2,463,215</u>	<u>100.00</u>

(Please refer to Notes to Parent Company Only 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**  
**PARENT COMPANY ONLY 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	-	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	0.13	55	0.01
7050	Finance costs	VI(XXVI)	(7,701)	(0.33)	(4,619)	(0.23)
	Share of profit or loss of subsidiaries accounted for using equity method		72,799	3.15	66,948	3.33
	Total non-operating income and expenses		71,591	3.10	72,879	3.63
7900	Profit before tax		137,800	5.97	232,401	11.55
7950	Income tax expenses	VI(XVIII)	(18,100)	(0.78)	(31,200)	(1.55)
8200	Profit		119,700	5.19	201,201	10.00
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		701	0.03	505	0.02
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>701</u>	<u>0.03</u>	<u>505</u>	<u>0.02</u>
	Current period other comprehensive income (post-tax profit or loss)		<u>2,488</u>	<u>0.11</u>	<u>1,726</u>	<u>0.08</u>
8500	Total comprehensive income in current period (attributable to the parent company)		<u>\$ 122,188</u>	<u>5.30</u>	<u>202,927</u>	<u>10.08</u>
9750	Earnings per share - basic		<u>\$ 1.11</u>		<u>\$ 1.86</u>	
9850	Earnings per share - diluted	VI(XX)	<u>\$ 1.09</u>		<u>\$ 1.86</u>	

**(Please refer to Notes to Parent Company Only 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**  
**PARENT COMPANY ONLY STATEMENTS CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in Thousands of New Taiwan Dollars)

Item	Ordinary shares	Capital surplus	Retained earnings			Total other equity interest	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
Appropriation and distribution of retained earnings:							
Legal reserve for covering deficits	-	-	(17,540)	-	17,540	-	-
Net income in 2021	-	-	-	-	201,201	-	201,201
Other comprehensive income in 2021							
Remeasurement of defined benefit plans	-	-	-	-	1,221	-	1,221
Exchange differences on translation of foreign financial statements (increase/decrease)	-	-	-	-	-	505	505
Total comprehensive income in 2021	-	-	-	-	202,422	505	202,927
Balance as of December 31, 2021	1,082,500	9,319	181,009	14,455	202,422	(15,659)	1,474,046
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)
Subtotal	-	-	20,242	1,204	(77,736)	-	(56,290)
Other capital surplus changes:							
Equity component (subscription right) of convertible bonds issued by the Company	-	27,227	-	-	-	-	27,227
Net income in 2022	-	-	-	-	119,700	-	119,700
Other comprehensive income in 2022							
Remeasurement of defined benefit plans	-	-	-	-	1,787	-	1,787
Exchange differences on translation of foreign financial statements (increase/decrease)	-	-	-	-	-	701	701
Total comprehensive income in 2021	-	-	-	-	121,487	701	122,188
Balance as of December 31, 2021	\$ 1,082,500	\$ 36,546	\$ 201,251	\$ 15,659	\$ 246,173	\$ (14,958)	\$ 1,567,171

(Please refer to Notes to Parent Company Only 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**

**PARENT COMPANY ONLY 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:				
Profit before tax	\$	137,800	\$	232,401
Adjustments:				
Adjustments to reconcile:				
Depreciation expense		196,566		186,877
Expected credit impairment loss		(992)		(189)
Net losses on financial assets or liabilities at fair value through profit or loss		900		-
Interest expenses		7,701		4,619
Total interest income		(138)		(210)
Share of interests of subsidiaries accounted for using equity method		(72,799)		(66,948)
Loss on disposal of property, plant and equipment		(4,107)		(795)
Changes in operating assets and liabilities				
Decrease (increase) in note receivable		(10,772)		2,251
Decrease (increase) in accounts receivable		101,185		(175,122)
Receivables - related parties (increase)		1,882		(5,720)
Decrease (increase) in other receivables		(2,657)		10,184
Decrease (increase) in inventories		26,973		(75,237)
Advances to suppliers decrease (increase)		1,730		(3,970)
Increase (decrease) in note payable		(5,735)		1,338
Increase (decrease) in accounts payable		(318)		93,809
Increase (decrease) in other payables		(9,048)		30,852
Increase (decrease) in other current liabilities		4,386		(78)
Decrease in net defined benefit liability		(4,498)		(12,585)
Cash inflow generated from operations		368,059		221,477
Interest received		47		76
Interest paid		(4,245)		(4,648)
Income taxes paid		(28,113)		(2,795)
Net Cash inflow from operating activities		335,748		214,110
Cash flows from (used in) investing activities:				
Acquisition of property, plant and equipment		(345,754)		(128,236)
Proceed from disposal of property, plant and equipment		6,001		1,573
Increase in refundable deposits paid		(20,337)		(25,572)
Decrease in refundable deposits paid		15,377		17,314
Other receivables - related parties (increase)		-		(56,355)
Other receivables - related parties (decrease)		-		56,355
Long term lease receivables (decrease)		960		960
Prepayments for equipment (increase)		(130,268)		(77,191)
Net cash flows used in investing activities		(474,021)		(211,152)
Cash flows from (used in) financing activities:				
Increase in short-term loans		431,068		62,795
Decrease in short-term loans		(330,557)		(55,216)
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		(7,678)
Net increase in cash and cash equivalents		53,246		(4,720)
Cash and cash equivalents at beginning of the period		32,551		37,271
Cash and cash equivalents at end of the period	\$	85,797	\$	32,551

**(Please refer to Notes to Parent Company Only 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 PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021  
(Unless otherwise stated, all amounts are in NTD)

**I. Company History**

The 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. The registered address and main business premise is located at No. 15, Gongye 5th Rd, Shulin Village, Guanyin District, Taoyuan City. The Group's 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 Company believes that the first-time adoption of the above standards and interpretations will not constitute significant changes to the 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 Company believes that the first-time adoption of the above standards and interpretations will not constitute significant changes to the Company's accounting policies. However, the 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 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 Parent Company Only 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 Company believes that the first-time adoption of the above standards and interpretations will not constitute significant changes to the Company's accounting policies. However, the 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 Company completes its

evaluation.

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

The Company's significant accounting policies are summarized below:

(I) Statement of compliance

The parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

The parent company only 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) 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.

(IV) 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 and accounting currency of the Company are New Taiwan Dollars. These parent company only financial statements are expressed in New Taiwan Dollars. In preparing the parent company only financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the exchange rates 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 parent company only 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.

(V) 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.

(VI) 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.

(VII) Investments accounted for using equity method

The Company adopts the equity method to treat its investment in subsidiaries.



Subsidiaries refer to entities controlled by the Company (including special non-corporate group).

Under the equity method, an investment in a subsidiary is initially recognized at cost and its carrying amount is adjusted thereafter with the Company's share of profit or loss and other comprehensive income in the subsidiaries as well as the profits distributed. In addition, the changes in other equity of the Company's subsidiaries are recognized according to the shareholding ratio.

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

When the Company's share of the subsidiary's losses equals or exceeds its equity in the subsidiary (including the carrying amount of the subsidiary under the equity method and other long-term equity that is substantially part of the Company's net investment in the subsidiary), such loss shall continue to be recognized in proportion to its shareholding ratio.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill, goodwill is included in the carrying amount of the investment and subject to goodwill for impairment test on time. The amount by which the Company's share of the net fair value of the identifiable assets and liabilities of the subsidiaries on the acquisition date exceeds the acquisition cost is listed as current income.

If the Company loses control of the subsidiary, the Company measures its retained investment in the former subsidiary at its fair value on the date of losing control. The difference between the fair value of the retained investment and any disposal proceed and the carrying amount of the investment on the date of losing control is included in the current profit and loss. In addition, the Company shall account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

Profits and losses resulting from the upstream and downstream transactions with the subsidiary are recognized in the Company's parent company only financial statements only to the extent of the Company's unrelated interests in the subsidiary.

(VIII) 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.

(IX) 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 parent company only 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 parent company only 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.

(X) Investment property

The 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 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.

(XI) 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.

(XII) Impairment

At the end of each reporting period, the 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.

(XIII) Financial instruments

Financial assets and liabilities shall be recognized when only the 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 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 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.

(XIV) Provision for liabilities

The provision for liabilities is recognized when the 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.

(XV) Revenue from customer contracts

The 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 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.

(XVI) Government grants

Government grants are not recognized until there is reasonable assurance that the 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 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.

(XVII) 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.

(XVIII) 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.

(XIX) 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.

(XX) 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.

(XXI) Reportable operating segment

The operating segment is a component of the 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 same entity). 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 parent company only financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events.

The 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 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 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 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	52,703,591	9,873,445
Total	<u>\$ 85,797,205</u>	<u>\$ 32,551,516</u>

The above cash and cash equivalents are not pledged or restricted.

(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	\$ 148,487,582
Less: loss allowances	-	-
Net value	<u>\$ 159,259,630</u>	<u>\$ 148,487,582</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 Company for commodity sales is 90-120 days, and the accounts receivable are not subject to interest.

The 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 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 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	\$ 159,259,630	0%	\$ -
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	\$ 148,487,582	0%	\$ -
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>\$ 677,659,083</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	\$ 20,394,636
Reversal of impairment loss	(991,443)	(189,272)
Ending balance	\$ 19,213,921	\$ 20,205,364

(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	\$ 4,251,359	\$ 1,594,438

(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	\$ 300,464,415	\$ 327,436,982

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	\$ (729,045)
Loss on physical inventory	-	342,519
Inventory obsolescence	8,641,384	1,292,679
Unallocated manufacturing expenses	131,145,692	69,229,038
Total (net value)	\$ 152,667,509	\$ 70,135,191

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) Investments accounted for using equity method

Details of the Company's investment in subsidiaries are as follows:

Invested company	December 31, 2022		December 31, 2021	
	Amount	Percentage of holding	Amount	Percentage of holding
Honest Fine Chemical Co., Ltd.	<u>\$ 116,271,912</u>	<u>90.75%</u>	<u>\$ 42,771,094</u>	<u>90.75%</u>

1. The Company's investments in subsidiaries in 2022 and 2021 were recognized by the equity method in accordance with the financial statements audited by the independent auditors for the same period, and the share of relevant profits and losses and other comprehensive profits and losses were as follows:

	2022	2021
Share of profit or loss of subsidiaries accounted for using equity method		
Honest Fine Chemical Co., Ltd.	<u>\$ 72,799,213</u>	<u>\$ 66,948,106</u>
Exchange differences on translation of foreign financial statements		
Honest Fine Chemical Co., Ltd.	<u>\$ 701,605</u>	<u>\$ 504,788</u>

2. To expand its business in China, the Company established Honest Fine Chemical Co., Ltd. (Samoa) in January 2005, and reinvested JiangSu Honest Fine Chemical Co., Ltd.

At the end of 2022 and 2021, the Company's cumulative investment in Honey Fine Chemical Co., Ltd. (Samoa) was US \$6,620,000, with a shareholding ratio of 90.75%.

The above Jiangsu Honest Fine Chemical Co., Ltd. was incorporated in April 2005, started SoP in August 2006, mainly engaged in the production and sales of fine chemical products.

3. When the Company has control over the investee, it constitutes a parent-subsidiary relationship. The Company has included all subsidiaries when preparing the consolidated financial reports for the years ended December 31, 2022 and 2021.
4. 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.

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.

Please refer to Note VI(VI) to Consolidated Financial Statements of the Company for 2022.

(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				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>\$3,075,349,207</u>
	Cost				Balance as of December 31, 2021
	Balance as of January 1, 2021	Current enhancements	Current disposal	Reclassification	
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	1,277,766,281	71,983,640	(26,421,938)	73,932,391	1,397,260,374
Water and electricity equipment	163,334,589	5,147,500	-	472,000	168,954,089
Computer and communication equipment	52,061,580	879,738	(326,005)	168,000	52,783,313
Testing equipment	49,539,963	13,958,345	-	437,100	63,935,408
Pollution prevention equipment	81,085,887	315,118	(12,000)	72,000	81,461,005
Transport equipment	78,448,279	94,000	(7,059,578)	-	71,482,701
Office equipment	4,105,254	-	(36,326)	-	4,068,928
Other	169,629,895	13,129,370	(1,715,023)	(12,637,237)	168,407,005
Unfinished works and equipment to be inspected	57,183,606	20,218,782	-	(56,096,787)	21,305,601
Total	<u>\$2,673,074,539</u>	<u>\$ 128,236,323</u>	<u>\$ (35,766,770)</u>	<u>\$ 7,524,467</u>	<u>\$2,773,068,559</u>
	Accumulated depreciation				Balance as of December 31, 2022
	Balance as of January 1, 2022	Current provisions	Current disposal	Reclassification	
Property and	\$ 257,772,520	\$ 21,267,962	\$ (8,095,919)	\$ -	\$ 270,944,563



building					
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>\$1,610,134,125</u>

	Accumulated depreciation				
	Balance as of January 1, 2021	Current provisions	Current disposal	Reclassification	Balance as of December 31, 2021
Property and					
building	\$ 235,959,232	\$ 22,009,188	\$ (195,900)	\$ -	\$ 257,772,520
Equipment	787,311,597	118,464,852	(25,780,432)	-	879,996,017
Water and electricity					
equipment	102,703,798	11,588,116	-	-	114,291,914
Computer and					
communication					
equipment	31,526,884	4,976,396	(326,005)	-	36,177,275
Testing equipment	31,669,588	5,264,829	-	-	36,934,417
Pollution prevention					
equipment	41,465,343	4,784,604	(12,000)	-	46,237,947
Transport equipment	47,608,980	5,793,296	(7,052,352)	-	46,349,924
Office equipment	3,357,271	205,992	(36,326)	-	3,526,937
Other	78,101,949	10,857,506	(1,585,229)	-	87,374,226
Total	<u>\$1,359,704,642</u>	<u>\$ 183,944,779</u>	<u>\$ (34,988,244)</u>	<u>\$ -</u>	<u>\$1,508,661,177</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	<u>(1,275,589)</u>	<u>(2,859,984)</u>	<u>(4,135,573)</u>
Balance as of December 31, 2021	-	12,277,133	12,277,133
Additions	3,888,459	720,192	4,608,651
Decreases	<u>-</u>	<u>(1,069,550)</u>	<u>(1,069,550)</u>
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	<u>(1,275,589)</u>	<u>(2,859,984)</u>	<u>(4,135,573)</u>
Balance as of December 31, 2021	-	3,296,259	3,296,259
Additions	756,091	3,079,777	3,835,868
Decreases	<u>-</u>	<u>(1,069,550)</u>	<u>(1,069,550)</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>(108,480)</u>	<u>(108,480)</u>
Balance as of January 1, 2022	12,554,052	6,083,061	18,637,113	(2,855,327)	15,781,786
Provision for depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(108,480)</u>	<u>(108,480)</u>
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 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	\$ 201,144,424	\$ 84,439,438
Current	\$ 30,824,724	\$ 23,059,799
Non-current	170,319,700	61,379,639
Total	\$ 201,144,424	\$ 84,439,438

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 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 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 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	<u>(46,690)</u>	<u>(8,193)</u>	<u>(54,883)</u>
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>\$ 958,117</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	143,481,548	22,970,973
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 Company.

(XII) Short-term notes payable

Guarantee (acceptance) institution	December 31, 2022	December 31, 2021
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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		-		10,000,000
Total		90,000,000		65,000,000
Less: unamortized discount		(105,775)		(43,048)
Net value	\$	89,894,225	\$	64,956,952
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 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	96,563,767	105,459,570
Other payables		
Payables to equipment suppliers	79,182,572	45,538,324
Business tax and value-added tax payable	-	24,741
Subtotal	79,182,572	45,563,065
Total	\$ 175,746,339	\$ 151,022,635
Current	\$ 175,746,339	\$ 151,022,635
Non-current	-	-
Total	\$ 175,746,339	\$ 151,022,635

(XIV) Lease liabilities

1. The 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	5,646,069	(93,468)	5,552,601
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	6,106,278	(113,604)	5,992,674
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	<u>\$ 155,989</u>	<u>\$ 124,385</u>
Expenses under short-term lease contract	<u>\$ 269,256</u>	<u>\$ 539,435</u>
Expense under leases of low- value assets	<u>\$ 396,471</u>	<u>\$ 474,876</u>

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

	2022	2021
Total cash outflow from lease	<u>\$ 3,968,583</u>	<u>\$ 3,099,359</u>

(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	<u>(36,102,984)</u>	<u>-</u>
Ending balance of corporate bonds payable	<u>\$ 563,897,016</u>	<u>\$ -</u>
Embedded derivative financial instruments - put-back and redemption rights (presented as financial liabilities at fair value through profit or loss)	<u>\$ 3,900,000</u>	<u>\$ -</u>

Equity component - conversion right (reported in capital surplus - subscription)	\$	<u>27,227,088</u>	\$	<u>-</u>
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	2022	2021
Embedded derivative financial instruments - put-back and redemption rights (presented as financial assets/liabilities at fair value through profit or loss)	\$ <u>900,000</u>	\$ <u>-</u>
Interest expenses (Note)	\$ <u>3,172,346</u>	\$ <u>-</u>

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	<u>\$ -</u>	<u>\$ 275,952,365</u>

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

(XVII) Employee pension

1. 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.

(1) 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 parent company only 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	\$ 306,924	\$ (6,424,559)

(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	(248,558)	98,213	(150,345)
Recognized in profit or loss	(512,523)	98,213	(414,310)
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	<u>-</u>	<u>12,998,951</u>	<u>12,998,951</u>
Balance as of December 31, 2021	<u>\$ (32,315,000)</u>	<u>\$ 25,890,441</u>	<u>\$ (6,424,559)</u>
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	(131,902)	(98,213)
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	<u>100.00%</u>	<u>100.00%</u>

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.

(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%. 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	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>	
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	Ending balance
Temporary differences					
Bad debt loss exceeding limit	\$ 1881,763	\$ (357,561)	\$ -	\$ -	\$ 1,524,202
Prepaid pension expenses	(768,234)	(2,516,929)	-	-	(3,285,163)
Unrealized loss on inventory falling price losses	4,911,914	(145,809)	-	-	4,766,105
Unrealized employee leave payment	990,331	28,815	-	-	1,019,146
Actuarial profit and loss of defined benefits	<u>4,924,989</u>	<u>-</u>	<u>(305,335)</u>	<u>-</u>	<u>4,619,654</u>
Deferred income tax benefit (expense)		<u>\$ (2,991,484)</u>	<u>\$ (305,335)</u>	<u>\$ -</u>	
Net deferred income tax assets (liabilities)	<u>\$ 11,940,763</u>				<u>\$ 8,643,944</u>
Deferred income tax assets	<u>\$ 11,940,763</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		
Temporary differences		
Loss of foreign reinvestment	\$ 10,154,145	\$ 24,713,987

Translation difference of foreign financial statements	2,991,489	3,131,810
Unrealized collection of bad debt losses	957,445	957,445
Total	<u>\$ 14,103,079</u>	<u>\$ 28,803,242</u>

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	<u>(2,507,436)</u>	<u>(1,083,177)</u>
Total income tax of the current period:	20,548,257	28,208,516
Deferred income tax	<u>(2,448,257)</u>	<u>2,991,484</u>
Income tax expense recognized in profit or loss	<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
Profit before tax	<u>\$ 137,799,546</u>	<u>\$ 232,401,024</u>
Income tax expense at the statutory rate	\$ 27,559,909	\$ 46,480,205
Unappropriated retained earnings tax	6,234,312	-
Permanent differences	1,373,057	(807,406)
Unrecognized deferred income tax impact of temporary differences	(14,559,842)	(13,389,622)
Current income tax adjustment of previous years	<u>(2,507,436)</u>	<u>(1,083,177)</u>
Income tax expense recognized in profit or loss	<u>\$ 18,100,000</u>	<u>\$ 31,200,000</u>
Payable income tax (current income tax)	\$ 16,821,381	\$ 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	<u>(2,507,436)</u>	<u>(1,083,177)</u>



Income tax payable at the end of the period	\$ 24,233,819	\$ 31,799,129
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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	\$ 246,172,875	\$ 202,422,364

(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	\$ 36,545,850	\$ 9,318,762

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.

(XX) Earnings per share

	2022		Earnings per share
	Current net profit (numerator)	Weighted average number of outstanding shares (denominator)	
<u>Earnings per share - basic</u>			
Current net profit attributable to the holders of ordinary shares of the Company	\$ 119,699,546	108,250,000 shares	\$ 1.11

#### Earnings per share - diluted

Effect of potential dilutive common shares			
- Remuneration to the employees		67,997 shares	
- Convertible bond	<u>3,257,877</u>	<u>4,870,130 shares</u>	
Current net profit attributable to the holders of ordinary shares of the Company	<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>			
Current net profit attributable to the holders of ordinary shares of the Company	<u>\$ 201,201,024</u>	108,250,000 shares	<u>\$ 1.86</u>

#### Earnings per share - diluted

Effect of potential dilutive common shares			
- Remuneration to the employees		<u>47,244 shares</u>	
Current net profit attributable to the holders of ordinary shares of the Company	<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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Ordinary shares issued at the beginning of the period	108,250,000 shares	108,250,000 shares
Current change	<u>-</u>	<u>-</u>
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:

Function Classification	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses						
Salary expenses	\$ 109,377,672	\$ 59,528,470	\$ 168,906,142	\$ 96,609,969	\$ 67,204,722	\$ 163,814,691
Labor and national health insurance expenses	11,242,714	5,852,249	17,094,963	10,027,843	5,354,358	15,382,201
Pension expenses	4,727,171	2,807,216	7,534,387	4,208,797	2,669,682	6,878,479
Remunerations to directors	-	4,192,000	4,192,000	-	5,705,170	5,705,170
Other employee benefit expenses	9,336,037	3,149,456	12,485,493	7,415,241	2,924,331	10,339,572
Depreciation expense (Note)	173,564,632	22,047,150	195,611,782	161,720,055	24,202,675	185,922,730

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

1. In 2022 and 2021, the average number of employees of the Company was 276 and 261 respectively, of which the number of directors who were not concurrently employees was 9 and 6 respectively, and the calculation basis was consistent with the employee benefit expenses.
2. The average employee benefit expenses in 2022 and 2021 were NTD771,614 and NTD770,255 respectively.
3. The average salary expenses of employees in 2022 and 2021 were NTD632,607 and NTD642,411 respectively.
4. The average employee salary expense in 2022 decreased by 1.53% compared with that in 2021, mainly due to the decrease of operating profit in 2022 compared with that in 2021, the year-end bonus was set aside according to 13% of the net profit before tax and according to the provisions of the Articles of Incorporation of the Company. If there is profit in the year, the net profit before tax should be set aside no less than 1% as employee compensation.
5. The remuneration of supervisors in 2022 and 2021 was NTD0 and NTD809,667 respectively.
6. The Company's salary and remuneration policy is as follows:

(1) Directors

In accordance with Article 23 of the Articles of Incorporation of the Company, the remuneration of the directors of the Company shall be determined by the

Board of Directors as per their participation in the operation of the Company and the value of their contribution, and with the general standards in the industry both at home and abroad considered.

In accordance with Article 28 of the Company's Articles of Incorporation, if the Company makes profits for the year, it shall allocate not more than 3% as director's remuneration.

Business implementation costs include travel expenses and various allowances.

Independent directors are paid a fixed remuneration every month, and do not participate in the remuneration distribution and do not pay business execution expenses.

(2) Supervisors

The Company set up an audit committee to replace the supervisor on July 20, 2021.

(3) Managerial officers and employees

The salary shall be paid in accordance with the relevant provisions of the Company's employees' salary. The salary and remuneration to managerial officers shall be assessed and determined by the salary and remuneration committee in accordance with the provisions, and submitted to the board of directors for resolution.

In accordance with Article 28 of the Company's Articles of Incorporation, if the Company makes profits for the year, it shall allocate not less than 1% as employees' remuneration

(4) Procedures for setting remuneration

The remuneration of the directors (supervisors) and managerial officers shall be regularly assessed and set by the compensation committee of this Company, and submitted to the Board of Directors for approval.

(5) Relationship with business performance and future risks

The independent directors of the Company pay fixed remuneration, and the directors (supervisors) are distributed according to the profit of the Company, except for the travel expenses, so there is no risk of significant impact on the Company. In addition to the fixed salary, other bonuses are distributed to managerial officers and employees based on the performance of the Company, so there is no risk of significant impact on the Company.

7. Remuneration to the employees and directors (supervisors)

In accordance with the Company's Articles of Association, if the Company makes profits for the year, 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

Key Market Region \ Key products	2021			
	Basic chemicals	Specialty chemicals	Electronic chemicals	Total
Taiwan	\$ 1,090,717,607	\$ 236,109,823	\$ 521,762,095	\$ 1,848,589,525
Mainland China	-	6,825,882	-	6,825,882
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	<u>\$ 1,093,510,992</u>	<u>\$ 397,658,143</u>	<u>\$ 521,762,095</u>	<u>\$ 2,012,931,230</u>

(XXIII) Total interest income

The Company's interest income is analyzed below:

	2022	2021
Bank deposit interest	\$ 47,129	\$ 6,175
Interest income from financing lease	90,827	133,764
Other interest income	-	70,259
Total	<u>\$ 137,956</u>	<u>\$ 210,198</u>

(XXIV) Other income

The Company's other income is analyzed below:

	2022	2021
Rental income	\$ 1,725,890	\$ 1,744,310
Government grants income	137,390	5,136,351
Other income - others	1,560,753	3,403,672
Total	<u>\$ 3,424,033</u>	<u>\$ 10,284,333</u>

(XXV) Other gains and losses

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

	2022	2021
Net gains from disposal of property, plant and equipment	\$ 4,107,482	\$ 794,666
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	(489,206)	(201,851)
Total	<u>\$ 2,930,350</u>	<u>\$ 55,212</u>

(XXVI) Finance costs

The Company's finance costs are analyzed below:

	2022	2021
Bank loans interest	\$ 6,456,371	\$ 4,857,419
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
Less: capitalization of borrowing costs	(3,448,027)	(837,237)
Total	<u>\$ 7,700,841</u>	<u>\$ 4,619,095</u>

The capitalized amount of borrowing costs of the 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 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	\$ 23,389,635	\$ 28,368,676
Employee benefits expenses		
Post-employment benefits		
Defined contribution plans	\$ 7,238,389	6,464,169
Defined benefit plans	295,998	414,310
Subtotal	7,534,387	6,878,479
Other employee benefits	198,486,598	189,536,464
Total	<u>\$ 206,020,985</u>	<u>\$ 196,414,943</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	\$ 85,797,205	\$ 32,551,516
Notes and accounts receivable	582,018,445	673,322,689
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>\$ 696,480,852</u>	<u>\$ 727,790,980</u>

	December 31, 2022	December 31, 2021
<b>Financial liabilities</b>		
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	151,022,635
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	1,183,432,064	946,048,620
Total	\$ 1,187,332,064	\$ 946,048,620

## 2. Financial risk management objectives

With regard to the financial risk management, the 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 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 Company due to its operating activities are the fluctuation of foreign exchange rate and interest rate. The Company always keeps a close eye on and responds to the possible risks caused by changes in exchange rates. In addition, the Company adjusts its own funds and bank borrowings flexibly in line with its business 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 Company's operating activities and net investment in foreign operation are mainly traded in foreign currencies, thus the Company is exposed to exchange rate risk. To protect the value of assets in foreign currency and against the fluctuation of future cash flow due to the change of exchange rate, the 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 Company's operation.

Since the net investment of foreign operation is strategic investment, the 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 Company's net profit in 2022 and 2021 would increase/decrease by NTD11,804 and NTD23,892, 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 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 Company in 2022 and 2021 will decrease/increase by NTD90,776 and NTD504,528, accordingly.

(3) Other price risk

The 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 Company. The policy adopted by the Company is to trade with reputable counterpart so as to minimize the risk of financial losses. In addition to the credit investigation before the transaction, the 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 25.15% of the total balance of trade receivables of the Company in 2022 and 2021, respectively. The 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

The Company's liquidity risk management 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 Company has sufficient financial flexibility.

The table below summarizes the maturity profile of the 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	<u>\$ 609,300,479</u>	<u>\$ 2,945,719</u>	<u>\$ 4,404,433</u>	<u>\$ 602,873,636</u>	<u>\$ -</u>	<u>\$ 1,219,524,267</u>

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	151,022,635	-	-	-	-	151,022,635
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	<u>\$ 630,854,919</u>	<u>\$ 33,060,483</u>	<u>\$ 65,916,392</u>	<u>\$ 192,761,326</u>	<u>\$ 23,380,925</u>	<u>\$ 945,974,045</u>

6. Fair value of financial instruments

The 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	<u>\$ 563,897,016</u>	<u>\$ -</u>	<u>\$ 572,160,000</u>	<u>\$ -</u>	<u>\$ 572,160,000</u>

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

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

Monetary items

		December 31, 2022				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	\$	47,112	30.708	\$ 1,446,838	\$ -
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	\$	19,754	27.690	\$ 546,511	\$ -
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 Company have not been disclosed because they have no significant impact of exchange rate fluctuations.

(XXIX) Capital management

Regarding the capital management, the Company is to provide shareholders with adequate remuneration by maintaining the optimal capital structure on the premise of continuous operation and growth. The Company's capital structure management strategy is based on such factors as the industrial scale of the 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 Company.

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

	December 31, 2022	December 31, 2021
Total liabilities	\$ 1,228,008,373	\$ 989,169,604
Total assets	\$ 2,795,179,389	\$ 2,463,215,306
Liability proportion	43.93%	40.16%

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
JiangSu Honest Fine Chemical Co., Ltd. (JiangSu Honest)	Subsidiaries 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) 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 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) Lending funds

1. Transaction amount

Transaction amount	2022		2021	
Party to Lending Funds Transactions	The loan limit approved by the Board of Directors	Amount allocated loan	Annual interest rate	Total interest income
JiangSu Honest	\$ -	\$ -	1.50%	\$ 70,259

2. Outstanding balance: none.

(IV) Remuneration of key management personnel

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

	2022	2021
Short-term benefits	\$ 12,637,600	\$ 15,705,141
Post-employment benefits	321,624	321,624
Other long-term employee benefits	-	-
Post-employment benefit	-	-
Share-based payment	-	-
Total	\$ 12,959,224	\$ 16,026,765

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

**IX. Material Contingent Liabilities and Unrecognized Contractual Commitments**

The major commitments and contingencies of the 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.

(II) Information on investees

1. Information on 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. Operating Segments Information**

The Company has disclosed relevant operating segment information in the consolidated financial statements as required.

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
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.

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

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
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.

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
TABLE OF CONTENT LIST OF SIGNIFICANT ACCOUNTING ITEMS  
DECEMBER 31, 2022

- List 1    Cash and cash equivalents
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- List 3    Other receivables
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CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2022

LIST 1

Item	Summary	Unit: NTD Amount
Cash on hand and petty cash		\$ 350,000
Bank deposits		
Checkable deposits		32,743,614
Demand deposits	Including USD47,112.29, with an exchange rate of 30.708	<u>52,703,591</u>
Total		<u>\$ 85,797,205</u>

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
NOTE RECEIVABLE AND ACCOUNTS RECEIVABLE  
DECEMBER 31, 2022

LIST 2

Unit: NTD

Customer name	Summary	Amount	Remark
Note receivable:			
Unrelated party			
10086	For goods	\$ 37,853,057	The balance of various accounts does not exceed 5%.
10122	For goods	10,419,811	
Other	For goods	110,986,762	
Total		159,259,630	
Less: loss allowances		-	
Net value		<u>\$ 159,259,630</u>	
Accounts receivable:			
Unrelated party			
10613	For goods	\$ 93,529,261	The balance of various accounts does not exceed 5%.
20021	For goods	30,642,949	
11277	For goods	26,133,074	
Other	For goods	256,981,808	
Subtotal		407,287,092	
Related party			
Everlight Chemical	For goods	14,982,359	
TYS	For goods	3,966,262	
Subtotal		18,948,621	
Total		426,235,713	
Less: loss allowances		(3,476,898)	
Net value		<u>\$ 422,758,815</u>	



CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
OTHER RECEIVABLES  
DECEMBER 31, 2022

LIST 3

Unit: NTD

Item	Summary	Amount	Remark
Unrelated party			
Tax refund receivable	Business tax refundable	\$ 2,049,119	
Other receivables - others	Freight receivable, expense allowance and advance payment, etc.	\$ 2,202,240	
Total		4,251,359	
Less: loss allowances		-	
Net value		<u>\$ 4,251,359</u>	

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
INVENTORY  
DECEMBER 31, 2022

LIST 4

Unit: NTD

Item	Summary	Amount		Remark
		Cost	Net realizable value	
Raw material		\$ 66,746,225	\$ 62,330,455	Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.
Goods-in-process and semi-finished goods		23,233,046	39,677,831	
Finished goods		137,675,641	154,721,585	
Goods		108,231,341	109,286,364	
Goods in transit		1,289,119	1,289,119	
Total		337,175,372	\$ 367,305,354	
Less: Allowance for inventory falling price losses		(36,710,957)		
Net value		<u>\$ 300,464,415</u>		

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
ADVANCES TO SUPPLIERS, OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS  
DECEMBER 31, 2022

LIST 5

Unit: NTD

Item	Summary	Amount	Remark
Advances to suppliers:			
Supplies inventory		\$ 470,501	
Other prepaid expenses		6,826,228	
Advance payment		197,192	
Total		<u>\$ 7,493,921</u>	
Other current assets:			
Refundable deposits paid	Performance bond etc.	\$ 22,657,493	Amount due within one year
Finance lease receivables, net		673,310	Amount due within one year
Total		<u>\$ 23,330,803</u>	
Other non-current assets:			
Prepayments for equipment		\$ 165,447,133	
Refundable deposits paid	Performance bond etc.	771,233	
Overdue receivables		15,737,023	Overdue receivables refer to receivables that have been in arrears for more than one year, and 100% of them are recognized as allowance for losses.
Less: loss allowances		(15,737,023)	
Finance lease receivables, net		311,807	
Other long-term prepaid expenses		3,789,527	
Total		<u>\$ 170,319,700</u>	

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
CHANGES IN LONG-TERM EQUITY INVESTMENT ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2022

LIST 6

Unit: NTD/share

	Opening balance		Current increases		Current decreases		Ending balance			Net equity			
Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Ratio of shareholding	Amount	Unit Price	Total Price	Provision of guarantee or pledge	Remark
Subsidiary:													
Honest Fine Chemical Co., Ltd.	5,399,775	\$ 42,771,094	-	\$ 72,799,213		\$ -	5,399,775	90.75%	\$116,271,912	\$ 21.53	\$ 116,271,912		None
				(Note 1)									
				701,605									
			-	(Note 2)		-							
Total		<u>\$ 42,771,094</u>		<u>\$ 73,500,818</u>		<u>\$ -</u>			<u>\$116,271,912</u>		<u>\$ 116,271,912</u>		

Note 1: Share of profit or loss of subsidiaries accounted for using equity method

Note 2: Exchange differences on translation of foreign financial statements

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
CHANGES IN PROPERTY, PLANT AND EQUIPMENT COST  
FOR THE YEARS ENDED DECEMBER 31, 2022

LIST 7

Unit: NTD

Item	Opening balance	Current increases	Current decreases	Current reclassification	Ending balance	Provision of guarantee or pledge	Remark
Land	\$ 294,306,546	\$ -	\$ -	\$ -	\$ 294,306,546	Please refer to Note	The current
Property and building	449,103,589	4,678,595	(8,221,579)	-	445,560,605	VIII to the parent	reclassification is
Equipment	1,397,260,374	145,225,683	(74,406,360)	54,841,985	1,522,921,682	company only	derived from the
Water and electricity equipment	168,954,089	8,873,500	(976,473)	912,000	177,763,116	financial statements	reclassification of
Computer and communication equipment	52,783,313	217,000	(322,286)	-	52,678,027	for the guarantee provided by the following assets.	the advance payment for equipment.
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	<u>21,305,601</u>	<u>129,007,170</u>	<u>-</u>	<u>10,465,394</u>	<u>160,778,165</u>		
Total	<u>\$ 2,773,068,559</u>	<u>\$ 345,753,862</u>	<u>\$ (93,042,023)</u>	<u>\$ 49,568,809</u>	<u>\$ 3,075,349,207</u>		

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
CHANGES IN DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEARS ENDED DECEMBER 31, 2022

LIST 8

Unit: NTD

Item	Opening balance	Current increases	Current decreases	Current reclassification	Ending balance	Remark
Accumulated depreciation:						Depreciation method: straight-line method
Property and building	\$ 257,772,520	\$ 21,267,962	\$ (8,095,919)	\$ -	\$ 270,944,563	Useful life: 3-36 Years
Equipment	879,996,017	131,304,400	(73,257,664)	-	938,042,753	Useful life: 2-51 Years
Water and electricity equipment	114,291,914	11,331,203	(976,473)	-	124,646,644	Useful life: 3-20 Years
Computer and communication equipment	36,177,275	3,199,794	(322,286)	-	39,054,783	Useful life: 2-15 Years
Testing equipment	36,934,417	6,362,154	(1,464,521)	-	41,832,050	Useful life: 3-10 Years
Pollution prevention equipment	46,237,947	4,021,987	(182,500)	-	50,077,434	Useful life: 5-51 Years
Transport equipment	46,349,924	4,923,242	(793,992)	-	50,479,174	Useful life: 5-16 Years
Office equipment	3,526,937	233,631	(188,004)	-	3,572,564	Useful life: 3-10 Years
Other	<u>87,374,226</u>	<u>9,977,205</u>	<u>(5,867,271)</u>	<u>-</u>	<u>91,484,160</u>	Useful life: 3-21 Years
Total	<u>\$ 1,508,661,177</u>	<u>\$ 192,621,578</u>	<u>\$ (91,148,630)</u>	<u>\$ -</u>	<u>\$ 1,610,134,125</u>	

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
CHANGES IN RIGHT-TO-USE ASSETS AND ACCUMULATED DEPRECIATION  
FOR THE YEARS ENDED DECEMBER 31, 2022

LIST 9

Unit: NTD

Item	Opening balance	Current increases	Current decreases	Ending balance	Remark
Cost:					
Property and building	\$ -	\$ 3,888,459	\$ -	\$ 3,888,459	
Transport equipment	<u>12,277,133</u>	<u>720,192</u>	<u>(1,069,550)</u>	<u>11,927,775</u>	
Total cost	<u>12,277,133</u>	<u>\$ 4,608,651</u>	<u>\$ (1,069,550)</u>	<u>15,816,234</u>	
Accumulated depreciation:					Depreciation method: straight-line method
Property and building	-	\$ 756,091	-	(756,091)	Useful life: 3 Years
Transport equipment	<u>(3,296,259)</u>	<u>3,079,777</u>	<u>(1,069,550)</u>	<u>(5,306,486)</u>	Useful life: 3-6 Years
Total accumulated depreciation	<u>(3,296,259)</u>	<u>\$ 3,835,868</u>	<u>\$ (1,069,550)</u>	<u>(6,062,577)</u>	
Net value	<u>\$ 8,980,874</u>			<u>\$ 9,753,657</u>	

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND ACCUMULATED DEPRECIATION  
FOR THE YEARS ENDED DECEMBER 31, 2022

LIST 10

Unit: NTD

Item	Opening balance	Current increases	Current decreases	Ending balance	Remark
Cost:					As the subsequent measurement of investment
Land	\$ 12,554,052	\$ -	\$ -	\$ 12,554,052	property adopts the cost model, the fair value is not disclosed.
Property and building	<u>6,083,061</u>	<u>-</u>	<u>-</u>	<u>6,083,061</u>	
Total cost	<u>18,637,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>18,637,113</u>	
Accumulated depreciation:					
Property and building	<u>(2,855,327)</u>	<u>\$ 108,480</u>	<u>\$ -</u>	<u>(2,963,807)</u>	Depreciation adopts the straight-line method with the useful life is 12-51 years.
Net value	<u>\$ 8,980,874</u>			<u>\$ 15,673,306</u>	



## CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.

## DEFERRED INCOME TAX ASSETS (LIABILITIES)

December 31, 2022

LIST 11

Unit: NTD

Item	Summary	Amount	Remark
Deferred income tax assets:			
Bad debt loss exceeding limit		\$ 1,536,631	
Unrealized loss on inventory falling price losses		7,342,191	
Unrealized employee leave payment		1,012,797	
Unrealized exchange loss		38,156	
Unrealized loss of financial assets and liabilities		180,000	
Actuarial profit and loss of defined benefits		4,172,885	
Total		<u>\$ 14,282,660</u>	
Deferred income tax liabilities:			
Prepaid pension expenses		\$ 4,184,690	
Discount amortization of corporate bonds		6,259,310	
Total		<u>\$ 10,444,000</u>	

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
SHORT-TERM LOANS  
December 31, 2022

LIST 12

Unit: in Thousands of New Taiwan Dollars, unless specified otherwise

Type of loan	Description	Ending balance	Term of contract	Interest rate range	Financing Lines	Mortgage or guarantee	Remark
Credit loan	Fubon Bank	\$ 18,481,548	2022.10.28~2023.4.30	5.23~5.41%	USD 8,000,000	None	
Credit loan	Bank SinoPac	45,000,000	2022.11.29~2023.2.24	2.08%	NTD 50,000,000	None	
Credit loan	First Bank	<u>80,000,000</u>	2022.12.7~2023.3.7	1.73%	NTD 80,000,000	None	
	Total	<u>\$ 143,481,548</u>					

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
SHORT-TERM NOTES PAYABLE  
DECEMBER 31, 2022

LIST 13

Unit: NTD

Item	Guarantee or acceptance institution	Term of contract	Interest rate range	Amount			Remark
				Issuance amount	Discount of unamortized short- term notes payable	Carrying amount	
Financing commercial papers	China Bills Finance Corporation	2022.12.15~2023.1.9	1.35%	\$ 50,000,000	\$ 23,853	\$ 49,976,147	
	International Bills Finance Corporation	2022.12.14~2023.2.10	1.65%	<u>40,000,000</u>	<u>81,922</u>	<u>39,918,078</u>	
	Total			<u>\$ 90,000,000</u>	<u>\$ 105,775</u>	<u>\$ 89,894,225</u>	

## CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.

## NOTE PAYABLE AND ACCOUNTS PAYABLE

December 31, 2022

LIST 14

Unit: NTD

Name	Summary	Amount	Remark
Note payable:			
Unrelated party			
0747	Payments for equipment	\$ 10,290,000	The balance of various accounts does not exceed 5%.
0255	For goods	2,858,716	
0029	For goods	1,726,200	
Other		<u>2,631,010</u>	
Total		<u>\$ 17,505,926</u>	
Accounts payable:			
Unrelated party			
0012	For goods	\$ 40,714,865	The balance of various accounts does not exceed 5%.
0003	For goods	21,517,134	
0063	For goods	20,829,900	
0008	For goods	17,421,964	
0379	For goods	16,447,620	
0006	For goods	10,360,598	
Other		<u>55,490,199</u>	
Total		<u>\$ 182,782,280</u>	

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.

OTHER PAYABLES

December 31, 2022

LIST 15

		Unit: NTD	
Item	Summary	Amount	
Salary and bonus payable		\$	24,595,733
Interest payable			127,519
Pension expenses payable			1,342,492
Remuneration to the employees payable			1,420,000
Remuneration to the directors (supervisors) payable			1,600,000
Freight payable			14,938,319
Payable water, electricity and gas fees			4,712,904
Payable pollution prevention fee			13,514,594
Payable parts and consumables			7,230,962
Insurance premium payable			3,529,046
Meal payable			1,963,433
Service fee payable			874,000
Repair payable			3,393,311
Export expenses payable			8,699,486
Sundry purchases payable			1,980,900
Other expenses payable			6,641,068
Payables to equipment suppliers			79,182,572
Total		\$	175,746,339

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
OTHER CURRENT LIABILITIES, OTHER NON-CURRENT LIABILITIES  
December 31, 2022

LIST 16

Unit: NTD

Item	Summary	Amount	Remark
Other current liabilities:			
Prepayments	Other advances	\$ 5,514,974	
Temporary receipts	Overpayment etc.	94,178	
Collection for others	Collection of insurance claims, withholding tax, etc.	389,338	
Total		<u>\$ 5,998,490</u>	
Other non-current liabilities:			
Guarantee deposits and margins received	Rental house deposit	<u>\$ 324,432</u>	

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
BONDS PAYABLE  
December 31, 2022

LIST 17

Unit: NTD

Bond Name	Consignee	Date of Issuance	Date of Interest	Interest rate	Total amount	Refund	Ending balance	Unamortized premium (discount)	Carrying amount	Repayment method	Guarantee	Remark
The first domestic unsecured convertible corporate bond	Fubon Securities	2022.10.3	None	0.00%	<u>\$ 600,00,000</u>	<u>\$ -</u>	<u>\$ 600,000,000</u>	<u>\$ (36,102,984)</u>	<u>\$ 563,897,016</u>	See Note VI(XV)	None	Converted amount 0

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
LEASE LIABILITIES  
December 31, 2022

LIST 18

Unit: NTD

Item	Summary	Lease term	Discount rate	Lease liabilities - current	Lease liabilities - non- current	Ending balance	Remark
Property and building	Staff dormitory	2022.6.1~2025.5.31	1.30%	\$ 1,296,081	\$ 1,862,925	\$ 3,159,006	
Transport equipment	Business vehicle and stacker	2017.2.23~2026.9.9	0.95%~1.70%	<u>2,951,616</u>	<u>3,689,676</u>	<u>6,641,292</u>	
Total				<u>\$ 600,00,000</u>	<u>\$ 5,552,601</u>	<u>\$ 9,800,298</u>	



CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
 OPERATING REVENUE  
 FOR THE YEARS ENDED DECEMBER 31, 2022

LIST 19

Unit: NTD

Item	Amount	Amount	Remark
Sales Revenue			
Basic chemicals series	177,238.23 metric tons,	\$ 1,259,635,250	
Specialty chemicals series	9,525.90 metric tons	578,378,995	
Electronic chemicals series	49,917.57 metric tons, 84,480.00 liters and 374.00 pieces	467,812,119	
Subtotal		2,305,826,364	
Service income		842,814	
Total		\$ 2,306,669,178	

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.

OPERATING COSTS

FOR THE YEARS ENDED DECEMBER 31, 2022

LIST 20

Unit: NTD

Item	Amount	
	Subtotal	Total
Cost of sales of purchased goods		
Beginning goods	\$ 111,729,806	
Add: current purchase	1,013,188,480	
Other	52,406	
Less: goods at end of the period	(108,231,341)	
Transfer for used by the Company	(11,400,310)	
Other	(5)	
Total cost of sales of purchased goods Total		\$ 1,005,339,036
Cost of sales of self-made products		
Raw material at beginning of the period	72,391,062	
Add: incoming materials in current period	570,907,653	
Other	109,700	
Less: raw material at end of the period	(66,746,225)	
Transfer for used by the Company	(9,649,358)	
Scrapping of raw materials	(327,254)	
Other	(549,186)	
Consumed materials in current period	566,136,392	
Direct manpower	79,805,413	
Manufacturing expenses	386,259,057	
Manufacturing cost	1,032,200,862	
Add: beginning balance Goods-in-process and semi-finished goods	17,339,090	
Less: end of the period Goods-in-process and semi-finished goods	(23,233,046)	
Unallocated manufacturing expenses	(131,145,692)	
Scrapped goods-in-process	(27,889)	
Transfer for used by the Company	(182,895)	
Other	(111,731)	
Finished goods costs	894,838,699	

Add: beginning finished goods	145,646,302	
Other	814,131	
Less: finished goods at end of the period	(137,675,641)	
Transfer for used by the Company	(13,125)	
Scrapped finished goods	(8,286,241)	
Other	(642,494)	
Total sales cost of self-made products		894,681,631
Service costs		351,220
Other operating costs		
Inventory obsolescence	8,641,384	
Gain from reversal of inventory falling price losses	12,880,433	
Unallocated manufacturing expenses	131,145,692	
Other	(28,316,216)	
Total other operating costs		124,351,293
Total operating costs		<u>\$ 2,024,723,180</u>

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
OPERATING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2022

LIST 21

Unit: NTD

Item	Summary	Amount	Remark
Selling expenses:			
Salary expenditure	Salary, bonus and overtime pay	\$ 25,923,670	
Freight fee		49,301,927	
Repair fee		1,902,683	
Water, electricity and gas fee		1,017,079	
Insurance premium fee		3,537,459	
Entertainment fee		1,378,692	
Taxation		1,413,087	
Depreciation		12,628,787	
Export expenses		35,517,479	
Other expenses	The amount of items less than NTD1,000,000	11,245,099	
Total		<u>\$ 143,865,962</u>	
Administrative expenses:			
Salary expenditure	Salary, bonus and overtime pay	\$ 24,956,618	
Remuneration to the employees		930,895	
Water, electricity and gas fee		964,544	
Insurance premium fee		2,447,460	
Taxation		722,057	
Depreciation		4,730,577	
Meal fee		666,337	
Remunerations to	Compensation to directors and	4,192,000	

directors	travel fees	
Computer costs		2,595,352
Service fees		2,140,254
Other expenses	The amount of items less than NTD500,000	5,126,915
Total		<u>\$ 49,473,009</u>

Research and  
development expenses:

Salary expenditure	Salary, bonus and overtime pay	\$ 10,524,423
Water, electricity and gas fee		1,198,741
Insurance premium fee		1,165,260
Depreciation		4,687,786
Research materials		506,166
Computer costs		991,931
Other expenses	The amount of items less than NTD500,000	4,315,328
Total		<u>\$ 23,389,635</u>

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD.  
FINANCE COSTS  
FOR THE YEARS ENDED DECEMBER 31, 2022

LIST 22

Unit: NTD

Item	Summary	Amount	Remark
Bank loans interest		\$ 6,456,371	
Commercial paper interest payable		1,362,350	
Corporate bonds interest		3,172,346	
Imputed interest of guarantee deposits and margins received		1,812	
Interest on lease liabilities		155,989	
Less: capitalization of borrowing costs		(3,448,027)	Capitalized interest rate 1.64%
Total		<u>\$ 7,700,841</u>	