

Stock Code 1727

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD. AND SUBSIDIARIES

Consolidated Financial Statements and Independent Auditors' Report

For the years ended December 31, 2024 and 2023

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CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD. AND SUBSIDIARIES
CONTENTS OF CONSOLIDATED FINANCIAL STATEMENTS

Item	Page
One. Cover	1
Two. Table of Content	2
Three. Representation letter of consolidated financial statements of affiliated enterprises	3
Four. Independent auditors' report	4-7
Five. Consolidated balance sheets	8
Six. Consolidated statements of comprehensive income	9
Seven. Consolidated statements of changes in equity	10
Eight. Consolidated statements of cash flows	11-12
Nine. Notes To Consolidated Financial Statements	13-67
I. Company history	13
II. Dates and procedures for the financial statement approval	13
III. Application of new and revised standards, amendments, and interpretations	13-15
IV. Summary of significant accounting policies	15-26
V. Major sources of uncertainty in significant accounting judgments, estimations, and assumptions	25-23
VI. Description of significant accounting items	26-62
VII. Related party transaction	63-63
VIII. Pledged assets	64
IX. Material contingent liabilities and unrecognized contractual commitments	64
X. Losses due to major disasters	64
XI. Major subsequent events	64
XII. Other	64
XIII. Notes to disclosures	64, 67
1. Information on significant transactions	64
2. Information on investees	65
3. Information on investment in mainland China	65
4. Information on major shareholders	65, 67
XIV. Segments information	65-66

Representation letter of consolidated financial statements of affiliated enterprises

For the fiscal year 2024 (from January 1 to December 31, 2024), the companies required to be included in the preparation of the consolidated financial statements for related enterprises under the “Regulations Governing the Preparation of Reports on Related Enterprises, Consolidated Financial Statements of Related Enterprises and Affiliation Reports of Related Enterprises” are the same as those required to be included in the preparation of consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standards No. 10. Furthermore, all relevant information required to be disclosed in the consolidated financial statements for related enterprises has already been disclosed in the aforementioned consolidated financial statements of parent and subsidiary companies. Therefore, we will not prepare separate consolidated financial statements for related enterprises.

Hereby declare

Name: Chung Hwa Chemical Industrial Works. Ltd.

Chairman: Wen-Yuan Kan

February 19, 2025

Independent auditors' report

Chung Hwa Chemical Industrial Works. Ltd.:

Auditing opinion

We have audited the accompanying consolidated balance sheets of Chung Hwa Chemical Industrial Works. Ltd. and subsidiaries as of December 31, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to consolidated financial statements, (including a summary of significant accounting policies).

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of Chung Hwa Chemical Industrial Works. Ltd. and subsidiaries as of December 31, 2024 and 2023, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2024 and 2023, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations Announcements endorsed and issued into effect by the Financial Supervisory Commission.

Basis of auditing opinion

Our audit was conducted in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards of the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Chung Hwa Chemical Industrial Works. Ltd. and subsidiaries in accordance with the Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that sufficient and appropriate audit evidence has been obtained in order to serve as the basis for presenting the audit opinion.

Critical audit items

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of Chung Hwa Chemical Industrial Works. Ltd. and subsidiaries for the year ended December 31, 2024. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

The key audit matters regarding the consolidated financial statements of Chung Hwa Chemical Industrial Works. Ltd. and subsidiaries for the year 2024 are described as follows:

Appropriateness of sales revenue cutoff

Description of key audit matters

For the accounting policies related to the recognition of revenue, please refer to note 4 (XV) of the consolidated financial statements; for the accounting items, please refer to note 6 (XXIII) of the consolidated financial statements.

The total net operating revenue from continuing operations of Chung Hwa Chemical Industrial Works. Ltd. and subsidiaries for the year 2024 amounted to NTD 2,083,083 thousand. The primary operating revenue is derived from the sale of goods. In

accordance with International Financial Reporting Standards (IFRS) No. 15, "Revenue from Contracts with Customers," revenue from the sale of goods is recognized when the performance obligation is satisfied, which typically occurs upon the transfer of goods. However, if the delivery terms are other than recognizing revenue upon the shipment of goods, meaning the performance obligation is satisfied at different points in time, there is a risk that revenue recognized near the end of the reporting period may not be recorded in the correct period. Therefore, we have identified the appropriateness of sales revenue cutoff as one of the most significant audit matters for the current year.

Audit procedures for the response

The principal audit procedures that we have implemented for the appropriateness of the above-mentioned sales revenue termination are as follows:

1. Understanding and testing the design and operating effectiveness of internal controls over the timing of sales revenue recognition.
2. Conducting sales revenue cutoff tests for a specific period around the end of the reporting period, including verifying the relevant supporting documents and contract conditions, and assessing whether the products recognized in the revenue have fulfilled the performance obligation.
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 depreciation of property, plant, and equipment

Description of key audit matters

For the accounting policies related to the depreciation of property, plant and equipment, please refer to note 4 (VIII) of the consolidated financial statements; for the accounting items, please refer to note 6 (VII) of the consolidated financial statements.

As of December 31, 2024, the amount of property, plant and equipment of Chung Hwa Chemical Industrial Works. Ltd. and subsidiaries was NTD 1,863,619 thousand, accounting for 61.40% of the consolidated total assets. According to IAS 16 "Property, Plant and Equipment", property, plant and equipment should be depreciated when the asset is available for use. As the capital expenditure of property, plant and equipment and subsidiaries is significant, the appropriateness of the depreciation is determined to have a significant impact on the financial performance of Chung Hwa Chemical Industrial Works. Ltd. and subsidiaries. Therefore, we have listed the appropriateness of the depreciation of the property, plant and equipment as one of the most important matters in this year's audit.

Audit procedures for the response

The principal audit procedures that we have implemented for the appropriateness of depreciation of the above-mentioned property, plant and equipment are as follows:

1. Understanding the conditions for the depreciation assets to be available for use and related accounting treatment.
2. Understanding and testing the design and operating effectiveness of key internal controls over the timing of depreciation commencement upon the transfer to depreciable assets.
3. Performing sample checks to confirm the accuracy of the date assets are deemed available for use and the proper commencement of depreciation.
4. Performing sample checks to confirm the justifications for construction in progress and equipment awaiting verification not being available for use.

Other remarks

Chung Hwa Chemical Industrial Works. Ltd. has prepared its parent company only financial statements for the years 2024 and 2023, which have been audited by us, and we have issued an unmodified opinion audit report thereon, available for reference.

Responsibilities of the management and the governing body for the consolidated financial statements

The responsibility of the management is to prepare the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations Announcements endorsed and issued into effect by the Financial Supervisory Commission, and to maintain the necessary internal control related to the preparation of the consolidated financial statements to ensure that the consolidated financial statements are free from material misstatement due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of Chung Hwa Chemical Industrial Works. Ltd. and subsidiaries to continue as a going concern, disclosing relevant matters, and using the going concern basis of accounting, unless the management either intends to liquidate Chung Hwa Chemical Industrial Works. Ltd. and subsidiaries or to cease operations, or has no other realistic alternative but to do so.

Governing body (including Audit Committee) of Chung Hwa Chemical Industrial Works. Ltd. and subsidiaries has the responsibility to supervise the process of financial report.

Auditor's responsibilities for the audit of the consolidated financial statements

The purpose of our audit of the consolidated financial statements is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report. 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 in the consolidated financial statements. The deceptive presentation may arise from fraud or error. If the individual amount or the total amount in the deceptive presentation can reasonably be expected to affect the economic decision made by the user of the consolidated financial statements, the deceptive presentation is considered material.

When we audit the financial statements in accordance with the auditing standards, we exercise professional judgment and professional skepticism. We also perform the following tasks:

1. Identify and assess the risk of material misstatement arising from fraud or error in the consolidated financial statements; design and execute appropriate countermeasures for the risks assessed; and obtain sufficient and appropriate audit evidence to serve as the basis for the audit opinion. The risk of material misstatement arising from fraud is higher than that arising from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. We 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 Chung Hwa Chemical Industrial Works. Ltd. and subsidiaries' internal control.
3. Assess the appropriateness of the accounting policies adopted by the management,

- and the reasonableness of the accounting estimates and related disclosures.
4. Conclude the appropriateness of the management's adoption 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 ability of Chung Hwa Chemical Industrial Works. Ltd. and subsidiaries to continue as a going concern. If we believe that there is a major uncertainty of such event or circumstance, we must remind the user of the consolidated financial statements to pay attention to relevant disclosures in the consolidated financial statements in our auditor's report, or, if such disclosure is inadequate, we must modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or circumstances may cause Chung Hwa Chemical Industrial Works. Ltd. and subsidiaries to no longer be able to continue as a going concern.
 5. Assess the overall presentation, structure and content of the consolidated financial statements (including related notes), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Our communications with those charged with governing body include the planned scope and timing of the audit, as well as significant audit findings (including significant deficiencies in internal control that we identified during our audit).

We have also provided those charged with governing body with a statement that persons in the firm who are subject to independence requirements have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence (including related safeguards).

We determined the key audit matters for the audit of the consolidated financial statements of Chung Hwa Chemical Industrial Works. Ltd. and subsidiaries for the year 2024 from the matters communicated with those charged with governing body. We communicate these matters in our auditor's report unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that the adverse consequences of doing so would outweigh the public interest benefits of such communication.

PKF Taiwan

CPA: Kuo-Cheng Kao

CPA: Po-Yen Hsu

Securities and Futures Bureau, Financial
Supervisory Commission

Approval reference number: Jin-Guan-Zheng-
Shen-Zi No. 1040011979

Approval reference number: (90)Tai-Tsai-Cheng-
(6)-145560

February 26, 2025

Chung Hwa Chemical Industrial Works, Ltd. and Subsidiaries
Consolidated balance sheets
December 31, 2024 and 2023

												Unit: NTD thousand	
Assets			December 31, 2024		December 31, 2023		Liabilities and equity			December 31, 2024		December 31, 2023	
Code	Accounting items	Notes	Amount	%	Amount	%	Code	Accounting items	Notes	Amount	%	Amount	%
11XX	Current assets						21XX	Current liabilities					
1100	Cash and cash equivalents	6(I)	\$ 145,528	4.79	\$ 209,123	7.35	2100	Short-term loans	6(XII)	\$ 259,066	8.53	\$ 153,682	5.40
1110	Financial assets at fair value through profit or loss - current	6(II)(XVI)	16	-	-	-	2110	Short-term notes payable	6(XIII)	-	-	34,971	1.23
1150	Notes receivable, net	6(III)	96,271	3.17	127,281	4.47	2120	Financial liabilities at fair value through profit or loss - current	6(II)(XVI)	-	-	599	0.02
1170	Accounts receivable, net	6(III)	394,121	12.98	358,817	12.60	2150	Note payable		1,007	0.03	1,533	0.05
1180	Accounts receivable - net amount of related parties	6(III), 7(II)	14,667	0.48	17,497	0.61	2170						
1200	Other receivables	6(IV)	9,650	0.32	4,706	0.17	2200	Accounts payable		178,738	5.89	156,085	5.48
130X							2230	Other payables	6(XIV)	231,107	7.61	183,374	6.44
	Inventory	6(V)	265,780	8.76	287,461	10.10		Income tax liabilities for the period	6(XIX)	15,093	0.50	3,288	0.11
1410	Advances to suppliers	6(XI)	20,910	0.69	10,963	0.39	2280	Lease liabilities - current	6(XV)	4,456	0.16	4,255	0.15
1470	Other current assets	6(XI)	46,695	1.55	34,017	1.19	2321	Corporate bonds matured or with put-back rights within one year					
	Total of current assets		993,638	32.74	1,049,865	36.88	2399	Other current liabilities - other	6(XVI)	76,789	2.53	274,349	9.64
15XX	Non-current assets							Total of current liabilities		757	0.02	2,249	0.08
1600	Property, plant and equipment	6(VII), 8	1,863,619	61.40	1,571,498	55.20	25XX	Non-current liabilities		767,013	25.27	814,385	28.60
1755	Right-of-use assets	6(VIII)	8,542	0.28	7,645	0.27	2540	Long-term loans	6(XVII)	185,000	6.09	180,000	6.33
1760	Net investment property	6(IX)	15,457	0.51	15,565	0.54	2570	Deferred income tax liabilities	6(XIX)	7,157	0.25	7,932	0.28
1780	Intangible assets	6(X)	599	0.02	-	-	2580	Lease liabilities - non-current	6(XV)	4,069	0.13	3,430	0.12
1840							2645	Guarantee deposits and margins received					
	Deferred income tax assets	6(XIX)	15,814	0.52	15,759	0.55				266	0.01	324	0.01
1975	Net defined benefit asset - non-current	6(XVIII)	8,005	0.26	6,267	0.22		Total of non-current liabilities		196,492	6.48	191,686	6.74
1990	Other non-current assets	6(III)(XI)	129,705	4.27	180,481	6.34		Total liabilities		963,505	31.75	1,006,071	35.34
	Total of non-current assets		2,041,741	67.26	1,797,215	63.12	31XX	Equity attributable to owners of the parent company					
							3100	Share capital					
							3110	Common stock	6(XX)	1,244,326	40.99	1,184,643	41.61
							3130	Bond conversion entitlement certificates	6(XX)	9,329	0.31	-	-
								Total share capital		1,253,655	41.30	1,184,643	41.61
							3200	Capital surplus	6(XX)	369,109	12.16	236,268	8.30
							3300	Retained earnings					
							3310	Legal reserve	6(XX)	217,760	7.17	213,399	7.49
							3320	Special reserve	6(XX)	-	-	15,659	0.55
							3350	Unappropriated earnings	6(XIX)	231,350	7.62	191,040	6.71
								Total of retained earnings		449,110	14.79	420,098	14.75
							3400	Other equity interest	6(XX)	-	-	-	-
								Equity attributable to owners of the parent company					
								Total		2,071,874	68.25	1,841,009	64.66
							36XX	Non-controlling interests	6(XX)	-	-	-	-
								Total equity		2,071,874	68.25	1,841,009	64.66
	Total assets		\$ 3,035,379	100.00	\$ 2,847,080	100.00		Total of liabilities and equity		\$ 3,035,379	100.00	\$ 2,847,080	100.00

(Please refer to notes and tables to consolidated financial statements and independent auditors' report)

Chairman: Wen-Yuan Kan

Manager: Kai-En Kan

Chief Accountant: Chih-Ming Chou

Chung Hwa Chemical Industrial Works. Ltd. and Subsidiaries
Consolidated statements of comprehensive income
For the year ended December 31, 2024 and 2023

Unit: NTD thousand
(Excluding earnings per share in NTD)

Code	Item	Notes	2024		2023	
			Amount	%	Amount	%
4000	Operating revenue	6(XXIII), 7(II)	\$ 2,083,083	100.00	\$ 1,723,975	100.00
5000	Operating costs	6(V)	(1,812,626)	(87.02)	(1,531,261)	(88.82)
5900	Gross profit		270,457	12.98	192,714	11.18
6000	Operating expenses					
6100	Total selling expenses		120,313	5.78	104,096	6.04
6200	Total administrative expenses		62,096	2.98	53,102	3.08
6300	Total research and development expenses		25,921	1.24	24,188	1.40
6450	Expected credit impairment loss (profit)	6(III)	(8,442)	(0.41)	8,269	0.48
	Total of operating expenses		(199,888)	(9.59)	(189,655)	(11.00)
6900	Net operating income		70,569	3.39	3,059	0.18
7000	Non-operating income and expenses					
7100	Total interest income	6(XXIV)	1,456	0.07	1,004	0.06
7010	Other income	6(XXV)	3,044	0.15	3,721	0.22
7020	Other gains and losses	6(XXVI)	2,175	0.10	8,511	0.49
7050	Finance costs	6(XXVII)	(2,115)	(0.10)	(5,991)	(0.35)
	Total of non-operating income and expenses		4,560	0.22	7,245	0.42
7900	Profit before tax		75,129	3.61	10,304	0.60
7950	Income tax benefit (expenses)	6(XIX)	(12,000)	(0.58)	8,400	0.49
8000	Net profit from continuing operations for the period		63,129	3.03	18,704	1.09
8100	Gain (loss) from discontinued operations	6(VI)	-	-	27,349	1.58
8200	Profit		63,129	3.03	46,053	2.67
8300	Other comprehensive income					
8310	Items not reclassified as income					
8311	Remeasurement of defined benefit obligation	6(XVIII)	1,777	0.09	(145)	(0.01)
8349	Income tax relating to items that will not be reclassified to income	6(XIX)	(355)	(0.02)	29	-
	Total of items not reclassified as income		1,422	0.07	(116)	(0.01)
8360	Items that may be reclassified as profit subsequently					
8361	Exchange differences on translation of foreign financial statements		-	-	16,711	0.97
8399	Income tax relating to items that will be reclassified to income subsequently	6(XIX)	-	-	-	-
	Total items that may be reclassified as income subsequently		-	-	16,711	0.97
	Current period other comprehensive income (post-tax profit or loss)		1,422	0.07	16,595	0.96
8500	Total comprehensive income		\$ 64,551	3.10	\$ 62,648	3.63
8600	Net income attributable to:					
8610	Owners of the parent company					
	Net profit from continuing operations		\$ 63,129	3.03	\$ 18,704	1.09
	Net profit from discontinuing operation for the period	6(VI)	-	-	25,027	1.45
	Net profit attributable to owners of the parent company for the period		\$ 63,129	3.03	\$ 43,731	2.54
8620	Non-controlling interests	6(XX)				
	Net profit from continuing operations		\$ -	-	\$ -	-
	Net profit from discontinuing operation for the period	6(VI)	-	-	2,322	0.13
	Net profit attributable to the non-controlling interests for the period		\$ -	-	\$ 2,322	0.13
8700	Total comprehensive income attributable to:					
8710	Owners of the parent company		\$ 64,551	3.10	\$ 58,573	3.40
8720	Non-controlling interests	6(XX)	-	-	4,075	0.23
8500	Total comprehensive income		\$ 64,551	3.10	\$ 62,648	3.63
	Earnings per share (NTD/share)					
9750	Basic earnings per share	6(XXI)				
9710	From continuing operations		\$ 0.51		\$ 0.17	
9720	From discontinuing operations		-		0.22	
			\$ 0.51		\$ 0.39	
9850	Earnings per share - diluted	6(XXI)				
9810	From continuing operations		\$ 0.51		\$ 0.17	
9820	From discontinuing operations		-		0.22	
			\$ 0.51		\$ 0.39	

(Please refer to notes and tables to consolidated financial statements and independent auditors' report)

Chairman: Wen-Yuan Kan

Manager: Kai-En Kan

Chief Accountant: Chih-Ming Chou

Chung Hwa Chemical Industrial Works. Ltd. and Subsidiaries
Consolidated statements of changes in equity
For the year ended December 31, 2024 and 2023

Unit: NTD thousand

	Equity attributable to owners of the parent company								Unit: NTD thousand	
	Share capital			Retained earnings			Other equity items			
		Bond conversion entitlement certificates				Unappropriate d retained earnings	Exchange differences on translation of foreign financial statements	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Item	Common stock		Capital surplus	Legal reserve	Special reserve					
Balance as of January 1, 2023	\$ 1,082,500	\$ -	\$ 36,546	\$ 201,251	\$ 15,659	\$ 246,173	\$ (14,958)	\$ 1,567,171	\$ 11,851	\$ 1,579,022
Earnings appropriation and distribution:										
Appropriation of legal reserve	-	-	-	12,148	-	(12,148)	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	(86,600)	-	(86,600)	-	(86,600)
Subtotal	-	-	-	12,148	-	(98,748)	-	(86,600)	-	(86,600)
Net profit of 2023	-	-	-	-	-	43,731	-	43,731	2,322	46,053
Other comprehensive income of 2023										
Remeasurement of defined benefit obligation	-	-	-	-	-	(116)	-	(116)	-	(116)
Increase or decrease of exchange differences on translation of foreign operations' financial statements	-	-	-	-	-	-	14,958	14,958	1,753	16,711
Total comprehensive income of 2023	-	-	-	-	-	43,615	14,958	58,573	4,075	62,648
Conversion of convertible corporate bonds	102,143	-	199,722	-	-	-	-	301,865	-	301,865
Disposal of subsidiary	-	-	-	-	-	-	-	-	(15,926)	(15,926)
Balance as of December 31, 2023	1,184,643	-	236,268	213,399	15,659	191,040	-	1,841,009	-	1,841,009
Earnings appropriation and distribution:										
Appropriation of legal reserve	-	-	-	4,361	-	(4,361)	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	(35,539)	-	(35,539)	-	(35,539)
Reversal of special reserve	-	-	-	-	(15,659)	15,659	-	-	-	-
Subtotal	-	-	-	4,361	(15,659)	(24,241)	-	(35,539)	-	(35,539)
Net profit of 2024	-	-	-	-	-	63,129	-	63,129	-	63,129
Other comprehensive income of 2024										
Remeasurement of defined benefit obligation	-	-	-	-	-	1,422	-	1,422	-	1,422
Total comprehensive income of 2024	-	-	-	-	-	64,551	-	64,551	-	64,551
Conversion of convertible corporate bonds	59,683	9,329	132,841	-	-	-	-	201,853	-	201,853
Balance as of December 31, 2024	\$ 1,244,326	\$ 9,329	\$ 369,109	\$ 217,760	\$ -	\$ 231,350	\$ -	\$ 2,071,874	\$ -	\$ 2,071,874

(Please refer to notes and tables to consolidated financial statements and independent auditors' report)

Chairman: Wen-Yuan Kan

Manager: Kai-En Kan

Chief Accountant: Chih-Ming Chou

Chung Hwa Chemical Industrial Works. Ltd. and Subsidiaries
Consolidated statements of cash flows
For the year ended December 31, 2024 and 2023

Item	Unit: NTD thousand	
	2024 Amount	2023 Amount
Cash flow of operating activities		
Net profit from continuing operations before tax	\$ 75,129	\$ 10,304
Net loss before tax from discontinuing operations	-	(20,270)
Net profit (loss) before tax for the period	75,129	(9,966)
Adjustment items		
Income and expense loss items		
Depreciation expenses	234,419	207,291
Amortization expenses	92	-
Expected credit impairment loss (profit)	(8,442)	8,269
Net gain on financial assets and liabilities at fair value through profit or loss	(681)	(3,238)
Interest expenses	2,115	5,991
Interest income	(1,456)	(3,119)
Gains from disposal of property, plant and equipment	(583)	(3,081)
Loss on disposal of foreign operations	-	17,553
Changes in operating activities related assets/liabilities		
Decrease in note receivable	31,010	31,979
Decrease (increase) in accounts receivable	(26,875)	36,855
Accounts receivable - decrease in related parties	2,844	1,320
Increase in other receivable	(5,119)	(261)
Decrease in inventory	21,681	13,003
Increase in advances to suppliers	(9,106)	(935)
Decrease (increase) net defined benefit assets	39	(6,104)
Decrease in note payable	(526)	(15,973)
Increase (decrease) in accounts payable	22,653	(26,698)
Increase (decrease) in other payable	22,151	(14,468)
Decrease in other current liabilities	(1,492)	(3,750)
Cash inflow from operation	357,853	234,668
Interest received	1,623	2,879
Interest paid	(7,669)	(4,679)
Income tax paid	(251)	(13,818)
Net cash inflow of operating activities	351,556	219,050

(Carried forward)

(Brought forward)

Item	2024 Amount	2023 Amount
Cash flow of investment activities		
Acquisition of property, plant and equipment	(385,451)	(272,120)
Disposal of property, plant and equipment	1,256	3,366
Increase in refundable deposits	(58,365)	(27,798)
Decrease in refundable deposits	45,241	17,272
Acquisition of intangible assets	(691)	-
Decrease in long-term leases receivables	320	720
Increase in equipment prepayments	(51,992)	(20,101)
Net cash outflow of investment activities	(449,682)	(298,661)
Cash flow of financing activities		
Increase in short-term loans	236,722	130,653
Decrease in short-term loans	(131,338)	(120,452)
Decrease in short-term notes payable	(34,971)	(54,924)
Issuance of long-term loans	477,000	380,000
Repayment of long-term loans	(472,000)	(200,000)
Increase in deposits received	42	-
Decrease in deposits received	(100)	-
Principal repayment of lease liabilities	(5,285)	(4,714)
Allocation of cash dividends	(35,539)	(86,600)
Changes in non-controlling interests	-	(15,927)
Net cash inflow of financing activities	34,531	28,036
Effects of exchange rate changes on cash and cash equivalents	-	(973)
Decrease in cash and cash equivalents for the period	(63,595)	(52,548)
Balance of cash and cash equivalents in the beginning of the period	209,123	261,671
Balance of cash and cash equivalents in the end of the period	\$ 145,528	\$ 209,123

(Please refer to notes and tables to consolidated financial statements and independent auditors' report)

Chairman: Wen-Yuan Kan Manager: Kai-En Kan

Chief Accountant:
Chih-Ming Chou

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024 and 2023
(Unless otherwise stated, all amounts are in NTD)

I. Company history

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

II. Dates and procedures for the financial statement approval

The financial statements were approved by the Company's Board of Directors on February 19, 2025.

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 (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC) and applicable to 2024

The newly issued, amended and revised standards and interpretations approved by the FSC and applicable to 2024 are summarized below:

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	January 1, 2024
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
Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangements"	January 1, 2024

The Consolidated Company believes that the first-time adoption of the above standards and interpretations did not have significant impacts on the Consolidated Company.

(II) We have not adopted IFRSs endorsed by the FSC and applicable in 2025

The newly issued, amended and revised standards and interpretations approved by the FSC and applicable to 2025 are summarized below:

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025
Note: The amendments shall be applicable to the annual reporting periods beginning on or after January 1, 2025, and may be applied earlier. When applicable, comparative information shall not be restated, and any impact from the initial application of these amendments shall be recognized as an adjustment to the opening balance of retained earnings.	

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

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

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"	January 1, 2026
Targeted Amendments to IFRS 9 and IFRS 7 "Financial Effects of Contracts that Rely on a Natural Resource for Power"	January 1, 2026
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
IFRS 17 - Insurance Contracts and its amendments replace IFRS 4 - Insurance Contracts	January 1, 2023
International Financial Reporting Standard 18 "Presentation and Disclosure in Financial Statements" has been issued, replacing International Accounting Standard 1 "Presentation of Financial Statements" and carrying forward certain of its provisions.	January 1, 2027
International Financial Reporting Standard 19 "Subsidiaries without Public Accountability: Disclosures" has been issued, allowing eligible subsidiaries to apply a new IFRS accounting standards with reduced disclosure requirements.	January 1, 2027
Annual Improvement of IFRS accounting standards -	January 1, 2026

11th

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

standards and interpretations. The related impact will be disclosed when the Consolidated Company completes its evaluation.

IV. Summary of significant accounting policies

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

(I) Statement of compliance

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

(II) Basis of preparation

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

(III) Consolidation basis

1. The basis for the consolidated financial statements

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

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

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

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

2. Subsidiaries included in the consolidated financial statements

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

Investment company	Subsidiary	Location of subsidiary	Nature of business	Percentage of shares directly or indirectly held by the parent company		Whether listed in the consolidated statements or individual statements	
				December 31, 2024	December 31, 2023	2024	2023
The Company	Honest Fine Chemical Co., Ltd. (Note) (Hereinafter, Honest Fine)	Samoa	Investment holding	-	-	No	Yes
Honest Fine	JiangSu Honest Fine Chemical Co., Ltd. (Note) (hereinafter, the "JiangSu Honest")	Mainland China	Manufacturing	-	-	No	Yes

Note: On December 22, 2020, the Board of Directors of the Company passed a resolution for the liquidation of Honest Fine Chemical Co., Ltd. We completed the liquidation and deregistration in September 2023.

On August 11, 2020, the Board of Directors adopted the resolution for the close-down of JiangSu Honest Fine Chemical Co., Ltd. in 2020. We completed the liquidation and deregistration in March 2023.

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

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

Current assets are assets that are expected to be realized in the normal operating cycle or intend to sell or consume; held primarily for the purpose of trading; expected to be realized within 12 months after the reporting period; cash and cash equivalents unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Assets not classified as current assets are non-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. Liabilities not classified as current liabilities are non-current liabilities.

(V) Foreign currencies

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

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

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

(VI) Cash and cash equivalents

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

(VII) Inventory

Inventory is recorded on the basis of cost and calculated by the weighted average method. For the calculation of product cost, variable manufacturing costs are allocated to actual production, and fixed manufacturing costs are allocated to the normal production capacity. However, if the difference between the actual production and the normal production capacity is insignificant, it can also be allocated to the actual production. If the actual output is abnormally higher than the normal capacity, it will be apportioned based on the actual output. Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The comparison between the lower of the cost and the net realizable value is made on an item-by-item basis. If the net realizable value of the finished product is expected to be equal to or greater than the cost, the raw materials used for the production of the finished product will not be written down below the cost. When the price of raw materials falls and the cost of finished products exceeds the net realizable value, the raw materials are written down to the net realizable value.

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

(VIII) 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 2 - 36 years, equipment 1 - 31 years, water and electricity equipment 2 - 21

years, computer and telecommunication equipment 2 - 15 years, testing equipment 2 - 16 years, pollution prevention equipment 2 - 51 years, transport equipment 5 - 16 years, office equipment 3 - 13 years and other equipment 2 - 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 consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. If the lease transfers

ownership of the underlying assets to the Company by the end of the lease terms or if the cost of right-of-use assets reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are measured at the present value of the lease payments. Lease payments comprise fixed payments, variable lease payments which depend on an index or a rate and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. Lease payments are discounted by the lessees' incremental borrowing rates.

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

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

(X) Investment property

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

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

(XI) Intangible assets

The intangible assets acquired alone with limited useful lives are listed at cost less accumulated amortization and accumulated impairment. The amortization amount is calculated using the straight-line method based on the following useful lives: 5 years for computer software. The estimated useful lives and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates adjusted on a prospective basis.

(XII) Impairment

At the end of each reporting period, the Consolidated Company reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to

which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount, the carrying amount shall be reduced to its recoverable amount, and the impairment loss shall be recognized in 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 the Consolidated Company becomes a party to the contractual provisions of the instruments. At initial recognition, it shall be measured at fair value, and if it is not a financial asset or financial liability measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability shall be added or deducted. 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 entity's business model for managing those assets and the contractual cash flow characteristics of the financial assets, as subsequently measured at amortized cost, fair value through other comprehensive income, or fair value through profit or 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.
- 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. Upon derecognition of an asset, the cumulative gain or loss recognized in other comprehensive income shall not be reclassified to profit or loss.

(3) Fair value through profit or loss

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

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

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

2. Financial liabilities

In addition to derivative instruments that do not qualify for hedge accounting, the loan commitments that are not designated to be measured at fair value through profit or loss, and contingent consideration in business combination that should be classified as measured at fair value through profit or loss, financial liabilities should be classified as subsequently measured at amortized cost, except for financial liabilities that do not qualify for the listed

transfer or continue to participate in the transferred assets, financial guarantee contracts, and commitments to provide loans at below-market interest rates.

3. Impairment

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

4. Convertible bond

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

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

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

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

(XV) Revenue from customer contracts

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

To recognize revenue, the Company applies the following steps: (1) Identify the customer contract, confirm that the contract has been approved and committed to be performed, confirm that the rights to goods or services can be identified, confirm that the payment terms for goods or services can be identified, confirm that the contract has commercial substance, and confirm that it is probable that the consideration for transferring goods or services will be collected. (2) Identify and distinguish the performance obligations in the contract. (3) Determine the transaction price. (4) Allocate the transaction price to each performance obligation. (5) Recognize the allocated revenue when each performance obligation is satisfied.

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

The contract asset is recognized when the Company has satisfied the performance obligation by transferring goods or services before the customer pays the consideration or the payment can be collected from the customer. However, if the Company has an unconditional right to the contract consideration, which is collectible from the customer only with the passage of time, then the performance amount is recognized as a receivable.

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 Consolidated Company will comply with the conditions attaching to them and that the grants will be received.

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

Unrealized government grants are recognized as liabilities, and those

realized are recognized as other income.

(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 and directors

Remuneration to the employees and directors are recognized as current 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 Consolidated Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Consolidated Company). The operating results of the operating segment are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

V. Major sources of uncertainty in significant accounting judgments, estimations, and assumptions

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

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

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

recognized in the current period when the change occurs. If a change in an accounting estimate may affect the current and future period, it shall be recognized in the current and future period.

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

(I) Valuation of inventory

As inventories are stated at the lower of cost and net realizable value, the Consolidated Company must determine the net realizable value of inventories at the end of the reporting period by using judgments and estimates. However, changes in the global economic environment and industrial environment may cause significant changes in the future net realizable value of inventories due to market competition or being obsolete. Please refer to Note 6(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 6(XIX) regarding deferred income tax.

(III) Valuation of financial assets

The valuation of the Consolidated Company's receivables is based on the probability of customer default and expected credit loss rate, taking into account historical experience and forward-looking information, to estimate the impairment of receivables. If the actual cash flow in the future is less than expected, it may cause significant impairment losses. Please refer to Note 6(III) regarding receivables and allowance for loss.

(IV) Calculation of net defined benefit asset

When calculating the present value of the defined benefit obligation, the Consolidated Company must use judgment and estimation to determine the relevant actuarial assumptions at the end of the financial reporting period, including the discount rate and future salary growth rate. Any change in actuarial assumptions may have a significant impact on the amount of defined benefit obligations of the consolidated company. Please refer to Note 6(XVIII) regarding net defined benefit asset.

VI. Description of significant accounting items

(I) Cash and cash equivalents

	December 31, 2024	December 31, 2023
Cash on hand and petty cash	\$ 300,000	\$ 350,000
Checkable deposits	4,023,270	1,928,873
Demand deposits	141,205,209	206,843,697
Total	<u>\$ 145,528,479</u>	<u>\$ 209,122,570</u>

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

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

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Financial assets mandatorily measured at fair value through profit or loss - current:		
Embedded derivatives - convertible corporate bond redemption rights	\$ 15,620	\$ -
Financial liabilities held for trading - current:		
Embedded derivatives - convertible bond put-back/redemption rights	\$ -	\$ 599,340

(III) Note receivable and accounts receivable

The details as below:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Notes receivable, net		
Notes from unrelated parties	\$ 96,270,473	\$ 127,281,061
Less: loss allowances	-	-
Net value	\$ 96,270,473	\$ 127,281,061

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Accounts receivable, net		
Accounts from unrelated party	\$ 397,591,468	\$ 370,559,617
Less: loss allowances	(3,470,328)	(11,742,232)
Net value	\$ 394,121,140	\$ 358,817,385
Accounts receivable - net amount of related parties		
Accounts from related party	\$ 14,784,159	\$ 17,628,215
Less: loss allowances	(117,408)	(131,168)
Net value	\$ 14,666,751	\$ 17,497,047

The average credit period of the Consolidated Company for commodity sales is 90 - 120 days, and the accounts receivable are not subject to interest.

The Consolidated Company adopts the simplified approach of IFRS 9 to recognize the allowance loss of accounts receivable (including notes receivable, accounts receivable and accounts receivable - related parties) based on the expected credit loss during the period of existence. The expected credit loss during the period of existence is based on the historical default rate of customers, and is adjusted based on forward-looking estimates. Since the Consolidated Company's credit loss history showed no significant difference in loss pattern across customer groups, the loss rate is not further distinguished between customer groups, and the expected credit loss rate is simply determined as the overdue days of receivables.

The expected credit losses of the Consolidated Company's receivables (including notes receivable, accounts receivable and accounts receivable -

related parties) are analyzed as follows:

	December 31, 2024		
	Carrying amount	Lifetime expected credit losses	Allowance for lifetime expected credit losses
Note receivable			
Not past due	\$ 96,270,473	0%	\$ -
Accounts receivable			
Not past due	403,986,617	0~1%	3,092,933
Less than 120 days past due	8,071,010	2~5%	176,803
121~180 days past due	-	-	-
More than 181 days past due	318,000	100%	318,000
Subtotal accounts receivable	412,375,627		3,587,736
Total notes and accounts receivable	\$ 508,646,100		\$ 3,587,736

	December 31, 2023		
	Carrying amount	Lifetime expected credit losses	Allowance for lifetime expected credit losses
Note receivable			
Not past due	\$ 127,281,061	0%	\$ -
Accounts receivable			
Not past due	370,197,781	0~1%	3,018,774
Less than 120 days past due	17,990,051	5~50%	8,854,626
121~180 days past due	-	-	-
More than 181 days past due	-	-	-
Subtotal accounts receivable	388,187,832		11,873,400
Total notes and accounts receivable	\$ 515,468,893		\$ 11,873,400

As shown in Note 6(XI), the accounts receivable collected on December 31, 2024 and 2023 were the accounts receivable expected to be recovered after more than 1 year, and the allowance for losses was set aside at NTD 15,453,564 and NTD 15,609,540 respectively.

Changes in the loss allowance for accounts receivable:

	2024	2023
Opening balance	\$ 27,482,940	\$ 19,213,921
Recognition of impairment loss	-	8,830,026
Reversal of impairment loss	(8,441,640)	(561,007)
Ending balance	\$ 19,041,300	\$ 27,482,940

(IV) Other receivables

	December 31, 2024	December 31, 2023
Business tax refund receivable	\$ 7,375,540	\$ 2,711,617
Interest receivable	18,846	193,543
Other receivables - others	2,255,882	1,800,631
Total	9,650,268	4,705,791
Less: loss allowances	-	-
Net value	\$ 9,650,268	\$ 4,705,791

(V) Net inventory

	December 31, 2024	December 31, 2023
Raw material	\$ 79,388,840	\$ 85,050,306
Goods-in-process and semi-finished goods	10,900,111	25,078,476
Finished goods	157,154,568	140,806,846
Goods	63,942,756	72,538,362
Goods in transit	572,466	-
Total	311,958,741	323,473,990
Less: Allowance for inventory falling price losses	(46,178,688)	(36,012,546)
Net inventory	\$ 265,780,053	\$ 287,461,444

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

	2024	2023
Loss on inventory valuation (recovery of inventory valuation)	\$ 10,166,142	\$ (698,411)
Loss on physical inventory	626,309	1,055,274
Inventory obsolescence	-	2,400,135
Unallocated manufacturing expenses	158,148,514	108,772,988
Inventory loss from continuing operations	\$ 168,940,965	\$ 111,529,986

The main reason for gaining from inventory in 2023 is that part of the inventory provided for allowance for inventory falling price losses in the previous period has been sold or scrapped.

(VI) Discontinuing operations

1. JiangSu Honest (sub-subsidiary of the Consolidated Company)

In cooperation with the land planning of the Qidong Municipal Government of Jiangsu Province, China, JiangSu Honest, a sub-subsidiary of the Consolidated Company, signed a compensation agreement for moving out of the Chemical Park, along with safety and environmental renovation at RMB 57,587,869 (including the sale of houses, buildings and right-of-use assets - the land price is RMB 21,867,946, the compensation for non-relocation is RMB 7,037,200, and the compensation for equipment and other ancillary facilities is RMB 28,682,723) with Qidong New City Construction and Investment Development Co., Ltd. in December 2020, so JiangSu Honest, a sub-subsidiary of the Consolidated Company, was recorded as discontinuing operation.

The compensation under the above agreement was fully received on June 30, 2021. The registration of the transfer of houses, buildings, and right-of-use asset-land was completed in the second quarter of 2021. The recognized sale price was RMB 21,867,946. After deducting the carrying amount and related taxes, the disposal proceeds of non-current assets to be sold were RMB 7,176,530 (equivalent to NTD 31,051,410).

In the fourth quarter of 2021, the operation would move out of the Chemical Park, and it would be recognized as non-relocation compensation proceed at RMB 7,037,200 (equivalent to NTD 30,492,188).

In the second quarter of 2022, the operation completed the removal and cleaning of equipment and other ancillary facilities, went through the liquidation procedures, and recognized the remaining compensation proceed of equipment and other ancillary facilities at RMB 28,682,723. After deducting relevant taxes, the net compensation proceed recognized was RMB 24,039,133 (equivalent to NTD 107,531,849).

We completed the liquidation and deregistration in March 2023.

2. Honest Fine (subsidiary of the Consolidated Company)

It was listed as discontinuing operation since 2023. We completed the liquidation and deregistration in September 2023, and remitted the remaining investment funds, amounting to approximately NTD 158,358,288 (USD 4,983,422)

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

	2024	2023
Operating revenue	\$ -	\$ -
Operating costs	-	-
Gross profit	-	-
Total selling expenses	-	-
Total administrative expenses	-	(317,435)
Total research and development expenses	-	-
Gains from expected credit impairment loss	-	-
Net operating loss	-	(317,435)
Total interest income	-	2,115,523
Other income	-	1,542,742
Other gains and losses	-	(23,599,936)
Finance costs	-	(10,669)
Net loss before tax	-	(20,269,775)
Income tax benefit	-	47,618,814
After-tax operating profits from discontinuing operation	-	27,349,039
Gain (loss) from discontinued operations	\$ -	\$ 27,349,039
Gains from discontinuing operation attributable to Owners of the parent company	\$ -	\$ 25,026,743
Non-controlling interests	-	2,322,296
Net profit from discontinuing operation after tax	\$ -	\$ 27,349,039
Cash flow		
Operating activities	\$ -	\$ (2,509,211)
Investment activities	-	-
Financing activities	-	(15,926,908)
Net cash outflow	\$ -	\$ (18,436,119)

(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, 2024
	Balance as of January 1, 2024	Current enhancements	Current disposal	Reclassification	
Land	\$ 294,306,546	\$ -	\$ -	\$ -	\$294,306,546
Property and building	458,618,561	13,852,462	-	2,674,000	475,145,023
Equipment	1,666,290,791	58,612,099	(10,483,275)	9,414,085	1,723,833,700
Water and electricity equipment	198,830,514	54,915,970	(3,001,130)	-	250,745,354
Computer and communication equipment	57,049,027	6,386,000	-	-	63,435,027
Testing equipment	82,807,197	2,669,200	(211,791)	1,303,794	86,568,400
Pollution prevention equipment	83,064,360	2,014,839	(682,047)	527,915	84,925,067
Transport equipment	68,178,007	14,561,713	(4,180,000)	2,310,000	80,869,720
Office equipment	3,888,469	284,272	(60,000)	-	4,112,741
Other	253,988,405	12,874,670	(260,000)	1,495,218	268,098,293
Unfinished works and equipment to be inspected	177,221,424	219,280,364	-	118,841,089	515,342,877
Total	<u>\$ 3,344,243,301</u>	<u>\$ 385,451,589</u>	<u>\$ (18,878,243)</u>	<u>\$ 136,566,101</u>	<u>\$ 3,847,382,748</u>
	Cost				Balance as of December 31, 2023
	Balance as of January 1, 2023	Current enhancements	Current disposal	Reclassification	
Land	\$ 294,306,546	\$ -	\$ -	\$ -	\$ 294,306,546
Property and building	445,560,605	5,753,484	(135,055)	7,439,527	458,618,561
Equipment	1,522,921,682	85,792,537	(29,371,767)	86,948,339	1,666,290,791
Water and electricity equipment	177,763,116	8,207,288	(1,120,719)	13,980,829	198,830,514
Computer and communication equipment	52,678,027	2,507,800	(99,000)	1,962,200	57,049,027
Testing equipment	72,726,947	10,080,250	-	-	82,807,197
Pollution prevention equipment	83,480,300	34,200	(450,140)	-	83,064,360
Transport equipment	71,572,551	1,284,000	(7,128,544)	2,450,000	68,178,007
Office equipment	4,177,924	159,200	(448,655)	-	3,888,469
Other	189,383,344	40,535,881	(1,525,018)	25,594,198	253,988,405
Unfinished works and equipment to be inspected	160,778,165	117,765,080	-	(101,321,821)	177,221,424
Total	<u>\$ 3,075,349,207</u>	<u>\$ 272,119,720</u>	<u>\$ (40,278,898)</u>	<u>\$ 37,053,272</u>	<u>\$ 3,344,243,301</u>

	Accumulated depreciation				Balance as of December 31, 2024
	Balance as of January 1, 2024	Current provisions	Current disposal	Reclassification	
Property and building	\$ 292,421,415	\$ 23,905,410	\$ -	\$ -	\$ 316,326,825
Equipment	1,045,654,672	154,623,710	(9,946,112)	-	1,190,332,270
Water and electricity equipment	134,413,411	14,004,806	(3,001,130)	-	145,417,087
Computer and communication equipment	42,439,676	3,732,024	-	-	46,171,700
Testing equipment	49,558,813	9,463,112	(211,791)	-	58,810,134
Pollution prevention equipment	54,006,751	4,364,538	(545,733)	-	57,825,556
Transport equipment	48,303,726	5,940,034	(4,180,000)	-	50,063,760
Office equipment	3,436,039	263,943	(60,000)	-	3,639,982
Other	102,510,274	12,925,827	(260,000)	-	115,176,101
Total	<u>\$ 1,772,744,777</u>	<u>\$ 229,223,404</u>	<u>\$ (18,204,766)</u>	<u>\$ -</u>	<u>\$ 1,983,763,415</u>

	Accumulated depreciation				Balance as of December 31, 2023
	Balance as of January 1, 2023	Current provisions	Current disposal	Reclassification	
Property and building	\$ 270,944,563	\$ 21,611,907	\$ (135,055)	\$ -	\$ 292,421,415
Equipment	938,042,753	136,750,459	(29,138,540)	-	1,045,654,672
Water and electricity equipment	124,646,644	10,887,486	(1,120,719)	-	134,413,411
Computer and communication equipment	39,054,783	3,483,893	(99,000)	-	42,439,676
Testing equipment	41,832,050	7,726,763	-	-	49,558,813
Pollution prevention equipment	50,077,434	4,379,457	(450,140)	-	54,006,751
Transport equipment	50,479,174	4,953,096	(7,128,544)	-	48,303,726
Office equipment	3,572,564	260,224	(396,749)	-	3,436,039
Other	91,484,160	12,551,132	(1,525,018)	-	102,510,274
Total	<u>\$ 1,610,134,125</u>	<u>\$202,604,417</u>	<u>\$ (39,993,765)</u>	<u>\$ -</u>	<u>\$ 1,772,744,777</u>

	Carrying amount	
	December 31, 2024	December 31, 2023
Land	\$ 294,306,546	\$ 294,306,546
Property and building	158,818,198	166,197,146
Equipment	533,501,430	620,636,119
Water and electricity equipment	105,328,267	64,417,103
Computer and communication equipment	17,263,327	14,609,351
Testing equipment	27,758,266	33,248,384
Pollution prevention equipment	27,099,511	29,057,609
Transport equipment	30,805,960	19,874,281
Office equipment	472,759	452,430
Other	152,922,192	151,478,131
Unfinished works and equipment to be inspected	515,342,877	177,221,424
Total	<u>\$ 1,863,619,333</u>	<u>\$ 1,571,498,524</u>

Please refer to Note 8 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	Office equipment	Total
Cost:				
Balance as of January 1, 2023	\$ 3,888,459	\$ 11,927,775	\$ -	\$ 15,816,234
Additions	-	1,409,203	1,060,042	2,469,245
Balance as of December 31, 2023	3,888,459	13,336,978	1,060,042	18,285,479
Additions	272,560	5,539,391	173,134	5,985,085
Decreases	-	(5,970,242)	-	(5,970,242)
Balance as of December 31, 2024	<u>\$ 4,161,019</u>	<u>\$ 12,906,127</u>	<u>\$ 1,233,176</u>	<u>\$ 18,300,322</u>
Accumulated depreciation:				
Balance as of January 1, 2023	\$ 756,091	\$ 5,306,486	\$ -	\$ 6,062,577
Depreciation	1,296,156	3,193,562	88,335	4,578,053
Balance as of December 31, 2023	2,052,247	8,500,048	88,335	10,640,630
Depreciation	1,477,866	3,251,549	358,149	5,087,564
Decreases	-	(5,970,242)	-	(5,970,242)
Balance as of December 31, 2024	<u>\$ 3,530,113</u>	<u>\$ 5,781,355</u>	<u>\$ 446,484</u>	<u>\$ 9,757,952</u>
Carrying amount:				
January 1, 2023	\$ 3,132,368	\$ 6,621,289	\$ -	\$ 9,753,657
December 31, 2023	<u>\$ 1,836,212</u>	<u>\$ 4,836,930</u>	<u>\$ 971,707</u>	<u>\$ 7,644,849</u>
December 31, 2024	<u>\$ 630,906</u>	<u>\$ 7,124,772</u>	<u>\$ 786,692</u>	<u>\$ 8,542,370</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, 2023	\$ 12,554,052	\$ 6,083,061	\$ 18,637,113	\$ (2,963,807)	\$ 15,673,306
Provision for depreciation	-	-	-	(108,480)	(108,480)
Balance as of January 1, 2024	12,554,052	6,083,061	18,637,113	(3,072,287)	15,564,826
Provision for depreciation	-	-	-	(108,480)	(108,480)
Balance as of December 31, 2024	\$ 12,554,052	\$ 6,083,061	\$ 18,637,113	\$ (3,180,767)	\$ 15,456,346

1. The measurement of the above investment property after recognition is based on the cost model.
2. According to the appraisal report issued by an external independent professional appraiser on the investment property held by the Consolidated Company, the fair value of the investment property mentioned above was NTD 55,820,000 as of January 10, 2023. Based on the appraisal report and the market situation in 2024 and 2023, the above investment property should not be impaired at the end of 2024 and 2023. The appraisal report adopts the comparison method and the income method to assess. 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: use the comparison method to assess the value, which was NTD57,403,240.

Evaluation method: use the income method to assess the value, which was NTD55,820,000.

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 2024 and 2023 were NTD 1,282,380 and NTD 1,282,116, respectively, and the direct operating expenses incurred were NTD 188,334 and NTD 259,495 respectively.
4. The above investment property is not pledged.

(X) Intangible assets

The details of the intangible assets and the adjustment between the beginning balance and closing balance are as follows:

	Computer software cost	Accumulated amortization	Net value
Balance as of January 1, 2023	\$ 2,383,348	\$ (2,383,348)	\$ -
Changes in the current period	-	-	-
Balance as of December 31, 2023	2,383,348	(2,383,348)	-
Current increases/amortization	690,800	(91,878)	598,922
Balance as of December 31, 2024	\$ 3,074,148	\$ (2,475,226)	\$ 598,922

1. The measurement of the above intangible assets after recognition is based on the cost model.
2. The above intangible asset is not pledged.

(XI) Advances to suppliers and other assets

	December 31, 2024	December 31, 2023
Supplies inventory	\$ 405,833	\$ 322,404
Other prepaid expenses	12,955,947	11,483,382
Advance payment	7,962,896	412,929
Prepayments for equipment	128,906,113	178,975,610
Refundable deposits paid	47,079,250	33,954,974
Overdue receivables	15,453,564	15,609,540
Less: loss allowances	(15,453,564)	(15,609,540)
Finance lease receivables, net	-	311,807
Total	\$ 197,310,039	\$ 225,461,106
Current	\$ 67,604,816	\$ 44,979,480
Non-current	129,705,223	180,481,626
Total	\$ 197,310,039	\$ 225,461,106

1. Please refer to Note 6(III) for receivables that are expected to be recovered after more than one year, and are fully set aside as allowance for losses.
2. The Consolidated Company leases transport equipment under finance lease. The lease contract period is 3-5 years. According to the terms of the lease contract, the ownership of the asset will be transferred to the lessee upon the expiration of the lease contract.

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

	December 31, 2024	December 31, 2023
Less than 1 year	\$ -	\$ 320,000
1-5 years	-	-
Total	\$ -	\$ 320,000

(2)

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

	December 31, 2023		
	Current	Non-current	Total
Undiscounted lease benefit	\$ 320,000	\$ -	\$ 320,000
Unearned financing income	(8,193)	-	(8,193)
Finance lease receivables, net	\$ 311,807	\$ -	\$ 311,807

(XII) Short-term loans

Nature of loan	December 31, 2024	December 31, 2023
Bank credit loan	\$ 259,066,394	\$ 153,682,422
Annual interest rate at the end of the period	1.87~5.44%	1.78~6.72%
Last maturity date	February 14, 2025	April 28, 2024

The Consolidated Company does not provide guarantee for the above short-term loans.

(XIII) Short-term notes payable

Guarantee (acceptance) institution	December 31, 2024	December 31, 2023
Taiwan Finance Corporation	\$ -	\$ 35,000,000
Less: Unamortized discount	-	(29,326)
Net value	\$ -	\$ 34,970,674
Annual interest rate at the end of the period	-	1.45%
Last maturity date	-	January 18, 2024

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

(XIV) Other payables

	December 31, 2024	December 31, 2023
Expenses payable		
Salary and bonus payable	\$ 41,995,607	\$ 24,832,405
Interest payable	67,896	215,001
Pension expenses payable	2,187,429	2,151,419
Remuneration to the employees payable	3,099,261	400,000
Remuneration to the directors payable	1,560,000	400,000
Freight payable	13,152,119	13,085,221
Water, electricity and gas fee payable	5,414,416	5,425,711
Payable pollution prevention fee	9,237,564	8,850,435
Payable parts and consumables	6,517,904	5,747,929
Insurance premium payable	3,683,171	3,773,277
Export expenses payable	926,876	880,857
Other expenses payable	16,344,579	16,420,538
Subtotal	104,186,822	82,182,793
Other payables		
Payables to equipment suppliers	126,919,703	101,191,594
Total	\$ 231,106,525	\$ 183,374,387
Current	\$ 231,106,525	\$ 183,374,387
Non-current	-	-
Total	\$ 231,106,525	\$ 183,374,387

(XV) Lease liabilities

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

	December 31, 2024		
	Future minimum rent payment	Interest	Minimum rent payment
Lease liabilities - current	\$ 4,602,465	\$ (146,366)	\$ 4,456,099
Lease liabilities - non-current	4,200,346	(130,983)	4,069,363
Total	\$ 8,802,811	\$ (277,349)	\$ 8,525,462

	December 31, 2023		
	Future minimum rent payment	Interest	Minimum rent payment
Lease liabilities - current	\$ 4,358,101	\$ (103,331)	\$ 4,254,770
Lease liabilities - non-current	3,502,281	(72,663)	3,429,618
Total	\$ 7,860,382	\$ (175,994)	\$ 7,684,388

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

	2024	2023
Interest expense on lease liability	\$ 140,626	\$ 129,213
Expenses under short-term lease contract	\$ 52,835	\$ 152,384
Expense under leases of low-value assets	\$ 473,994	\$ 679,314

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

	2024	2023
Total cash outflow from lease	\$ 5,284,637	\$ 4,714,368

(XVI) Bonds payable

1. Domestic unsecured convertible corporate bonds payable

	December 31, 2024	December 31, 2023
Bond issuance amount	\$ 600,000,000	\$ 600,000,000
Total convertible amount	(521,900,000)	(314,600,000)
Unamortized balance of discounted corporate bonds payable	(1,310,711)	(11,051,214)
Subtotal	76,789,289	274,348,786
Less: Amount due within one year	(76,789,289)	(274,348,786)
Balance of corporate bonds payable in the end of the period	\$ -	\$ -
Embedded derivatives - redemption rights (Financial assets measured at fair value through profit or loss)	\$ 15,620	\$ -
Embedded derivative financial instruments - put-back and redemption rights (presented as financial liabilities at fair value through profit or loss)	\$ -	\$ 599,340
Equity component - conversion right (reported in capital surplus - subscription)	\$ 4,202,157	\$ 9,382,000
	2024	2023
Embedded derivatives - gain on valuation of put-back and redemption rights (gains from financial assets/liabilities at fair value through profit or loss)	\$ (681,460)	\$ (3,237,740)
Interest expenses (Note)	\$ 3,229,362	\$ 9,567,142

Note: The effective interest rate of the first unsecured convertible bonds

issued by the Company is 1.9836%.

Please refer to Note 6(XX) for the Consolidated Company converted ordinary shares as a result of the exercise of conversion rights by the holders of convertible corporate bonds in 2024 and 2023.

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.

On February 21, 2024, the Company distributed the cash dividend of ordinary shares by the resolution of the shareholders' meeting and adjusted the conversion price to NTD 29.80 on August 4, 2024.

- (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 NTD 60,000,000 (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 sold or issued.

(XVII) Long-term loans

Financing institutions	Loan period and regulations	December 31, 2024	December 31, 2023
Guaranteed loan from Hua Nan Bank	The principal of NTD 180,000 thousand will be repaid in a lump sum and the interest will be paid monthly from December 29, 2023 to December 29, 2025. Annual interest rate was 1.835% on December 31, 2023. Repayment was made early on January 16, 2024.	\$ -	\$ 180,000,000
Guaranteed loan from Hua Nan Bank	The principal of NTD 175,000 thousand will be repaid in a lump sum and the interest will be paid monthly from June 28, 2024 to June 26, 2026. Annual interest rate was 1.955% on December 31, 2024. Repayment of NTD 25,000 thousand and NTD 40,000 thousand was made early on November 8, 2024 and November 11, 2024, respectively.	110,000,000	-
Guaranteed loan from Hua Nan Bank	The principal of NTD 75,000 thousand will be repaid in a lump sum and the interest will be paid monthly from December 30, 2024 to December 30, 2026. Annual interest rate was 2.250% on December 31, 2024.	75,000,000	-
Subtotal		185,000,000	180,000,000
Less: Amount due within one year		-	-
Total		\$ 185,000,000	\$ 180,000,000

Please refer to Note 8 for the guarantees provided by the Consolidated Company in terms of the above long-term loans.

(XVIII) 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. However, if an employee is ordered to retire due to mental incapacity or physical disability resulting from the performance of their duties and rendering them unable to perform their work, they are entitled to an additional 20% on top of the aforementioned base amount. 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 plan

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, 2024 and 2023. 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, 2024	December 31, 2023
Discount rate	1.50%	1.25%
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 funded and unfunded) and to assess the interest income on plan assets for the next year shall be determined by reference to the market yields of high-quality corporate bonds as of the measurement date. For currencies where

there is no deep market for high-quality corporate bonds, the market yields of government bonds denominated in that currency (as of the measurement date) shall be used. The corporate bonds or government bonds shall be denominated in the currency in which the benefit obligations after retirement will be paid and that have terms to maturity approximating to the terms of evaluation period.

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

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

	December 31, 2024	December 31, 2023
Present value of defined benefit obligation	\$ (13,337,000)	\$ (15,457,000)
Fair value of plan assets	21,342,085	21,723,943
Net defined benefit asset - non-current	\$ 8,005,085	\$ 6,266,943

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit assets
Balance as of January 1, 2023	\$ (24,395,000)	\$ 24,701,924	\$ 306,924
Defined benefit cost			
Current service cost	(118,462)	-	(118,462)
Interest income (expenses)	(304,937)	313,424	8,487
Recognized in profit (loss)	(423,399)	313,424	(109,975)
Remeasurement			
Plan asset compensation	-	214,061	214,061
Actuarial gains (losses) - experience adjustments	(358,355)	-	(358,355)
Recognized in other comprehensive income	(358,355)	214,061	(144,294)
Contributions from employer	-	239,858	239,858
Payment from plan assets	3,745,324	(3,745,324)	-
Amount paid on Company account	5,974,430	-	5,974,430
Balance as of December 31, 2023	\$ (15,457,000)	\$ 21,723,943	\$ 6,266,943

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit assets
Balance as of January 1, 2024	\$ (15,457,000)	\$ 21,723,943	\$ 6,266,943
Defined benefit cost			
Current service cost	(117,450)	-	(117,450)
Interest income (expenses)	(155,960)	234,297	78,337
Recognized in profit (loss)	(273,410)	234,297	(39,113)
Remeasurement			
Plan asset compensation	-	2,133,008	2,133,008
Actuarial gains (losses) - experience adjustments	(355,753)	-	(355,753)
Recognized in other comprehensive income	(355,753)	2,133,008	1,777,255
Payment from plan assets	2,749,163	(2,749,163)	-
Balance as of December 31, 2024	\$ (13,337,000)	\$ 21,342,085	\$ 8,005,085
(4) Recognized expenses under defined benefit plans			
	2024	2023	
Current service cost	\$ 117,450	\$ 118,462	
Interest cost of defined benefit obligations	155,960	304,937	
Total interest income of plan assets	(234,297)	(313,424)	
Net pension cost	\$ 39,113	\$ 109,975	
(5) Percentage of fair value of plan assets			
	December 31, 2024	December 31, 2023	
Self-use			
Redeposit to financial institutions	14.41%	15.62%	
Short-term notes	6.24%	5.07%	
Government bonds, financial bonds, corporate bonds and securitized commodities	7.43%	7.69%	
Stock and beneficiary certificate investment (including futures)	11.19%	11.87%	
Foreign investment	7.69%	10.23%	
Consigned operation			
Domestically consigned operation	11.58%	10.48%	
Foreign consigned operation	41.46%	39.04%	
Total	100.00%	100.00%	

The Company's employee pension fund is fully deposited with the Department of Trust, Bank of Taiwan. The expected rate of return on plan

assets is determined based on historical return trends, actuarial forecasts of the market conditions for these assets over the duration of the defined benefit obligation, the Labor Pension Fund Supervisory Committee's investment performance, and an estimation that considers the minimum return not being lower than the two-year time deposit interest rate offered by 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 expected salary increase rate 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, 2024		December 31, 2023	
	1.75%	1.25%	1.50%	1.00%
Calculated based on simulation assumptions	\$ (13,158,000)	\$ (13,519,000)	\$ (15,250,000)	\$ (15,668,000)
Calculated based on original assumptions	(13,337,000)	(13,337,000)	(15,457,000)	(15,457,000)
Gains (losses) of defined benefit obligations	179,000	(182,000)	207,000	(211,000)
Change of defined benefit obligation (%)	-1.34%	1.36%	-1.34%	1.37%

B. Sensitivity analysis of expected salary increase rate:

	Expected salary increase rate			
	December 31, 2024		December 31, 2023	
	2.25%	1.75%	2.25%	1.75%
Calculated based on simulation assumptions	\$ (13,520,000)	\$ (13,157,000)	\$ (15,668,000)	\$ (15,249,000)
Calculated based on original assumptions	(13,337,000)	(13,337,000)	(15,457,000)	(15,457,000)
Gains (losses) of defined benefit obligations	(183,000)	180,000	(211,000)	208,000
Change of defined benefit obligation (%)	1.37%	-1.35%	1.37%	-1.35%

(7) The Company expects to pay NTD 2,380,427 to the defined benefit plan in the year of 2025. The weighted average durations of defined benefit obligations at the end of 2024 and 2023 were 7 years.

- The amount of the Company's defined contribution plans in 2024 and 2023 recognized as current expenses is NTD 7,798,957 and NTD 7,651,465 respectively. The unpaid amount at the end of 2024 and 2023 was NTD 2,187,429 and NTD 2,151,419 respectively, which had been paid after the end of the reporting period.
- The above pension only refers to the Company, while the subsidiary - Honest Fine does not employ any employee and authorizes the Company to provide services, instead. JiangSu Honest has not formulated any pension regulations. The pension is contributed based on employee's salary as per local government regulations,

(XIX) Income tax

The income tax rate of the profit-making enterprises in 2024 and 2023 was 20%, and the basic income tax rate was 12%. JiangSu Honest adopts an income tax rate of 25%. Honest Fine has no income tax in current period.

Relevant information on deferred income tax assets and liabilities and the adjustment of income tax expenses and income tax payable are as follows:

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

	2024				
	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	\$ 3,355,984	\$ (1,643,487)	\$ -	\$ -	\$ 1,712,497
Prepaid pension expenses	(5,405,553)	7,823	-	-	(5,397,730)
Unrealized loss on inventory falling price losses	7,202,509	2,033,229	-	-	9,235,738
Unrealized employee leave payment	998,411	21,397	-	-	1,019,808
Unrealized exchange gain	(139,838)	(787,177)	-	-	(927,015)
Unrealized gain of financial assets and liabilities	(467,548)	(136,292)	-	-	(603,840)
Actuarial profit and loss of defined benefits	4,201,744	-	(355,451)	-	3,846,293
Discount amortization of corporate bonds	(1,918,839)	559,894	-	1,131,028	(227,917)
Deferred income tax benefit (expense)		\$ 55,387	\$ (355,451)	\$ 1,131,028	
Net deferred income tax assets (liabilities)	\$ 7,826,870				\$ 8,657,834
Deferred income tax assets	\$15,758,648				\$15,814,336
Deferred income tax liabilities	\$ 7,931,778				\$ 7,156,502

	2023				
	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	\$ 1,536,631	\$ 1,819,353	\$ -	\$ -	\$ 3,355,984
Prepaid pension expenses	(4,184,690)	(1,220,863)	-	-	(5,405,553)
Unrealized loss on inventory falling price losses	7,342,191	(139,682)	-	-	7,202,509
Unrealized employee leave payment	1,012,797	(14,386)	-	-	998,411
Unrealized exchange loss (gain)	38,156	(177,994)	-	-	(139,838)
Unrealized loss (gain) of financial assets and liabilities	180,000	(647,548)	-	-	(467,548)
Actuarial profit and loss of defined benefits	4,172,885	-	28,859	-	4,201,744
Discount amortization of corporate bonds	(6,259,310)	1,653,793	-	2,686,678	(1,918,839)
Deferred income tax benefit (expense)		\$ 1,272,673	\$ 28,859	\$ 2,686,678	
Net deferred income tax assets (liabilities)	\$ 3,838,660				\$ 7,826,870
Deferred income tax assets	\$14,282,660				\$15,758,648
Deferred income tax liabilities	\$10,444,000				\$ 7,931,778

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

	December 31, 2024	December 31, 2023
Not recognized as deferred income tax assets		
Temporary differences		
Unrealized collection of bad debt losses	\$ 957,445	\$ 957,445

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:

	2024	2023
Current income tax:		
Current income tax payable	\$ 15,039,065	\$ 250,799
Current income tax adjustment of previous years	(2,983,678)	(54,996,940)
Total income tax of the current period	12,055,387	(54,746,141)
Deferred income tax	(55,387)	(1,272,673)
Income tax expenses (benefits) recognized in profit or loss	12,000,000	(56,018,814)
Less: Income tax benefit from discontinuing operations	-	(47,618,814)
Income tax expenses (benefits) from continuing operations	<u>\$ 12,000,000</u>	<u>\$ (8,400,000)</u>

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

	2024	2023
Net profit from continuing operations before tax	\$ 75,128,703	\$ 10,304,210
Net loss before tax from discontinuing operations	-	(20,269,775)
Net profit (loss) before tax	<u>\$ 75,128,703</u>	<u>\$ (9,965,565)</u>
Income tax expense at the statutory rate	\$ 15,025,740	\$ 2,601,615
Permanent differences	(42,062)	(2,203,647)
Unrecognized deferred income tax impact of loss carryforward	-	(1,419,842)
Current income tax adjustment of previous years	(2,983,678)	(54,996,940)
Income tax expenses (benefits) recognized in profit or loss	12,000,000	(56,018,814)
Less: Income tax benefit from discontinuing operations	-	(47,618,814)
Income tax expenses (benefits) from continuing operations	<u>\$ 12,000,000</u>	<u>\$ (8,400,000)</u>

	2024	2023
Income tax payable(current income tax)	\$ 15,039,065	\$ 250,799
Add: Income tax payable at the beginning of the period	3,288,482	71,984,005
Less: Withholding tax	(127,102)	(69,995)
Income tax paid	(124,000)	(13,748,015)
Income tax adjustments on prior years	(2,983,678)	(54,996,940)
Exchange influence	-	(131,372)
Income tax payable at the end of the period	<u>\$ 15,092,767</u>	<u>\$ 3,288,482</u>

4. Income tax expense recognized in other comprehensive income

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

	2024	2023
Remeasurement of defined benefit obligation	\$ 355,451	\$ (28,859)

5. Income tax recognized directly in equity

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

	2024	2023
Discount amortization of corporate bonds	\$ (1,131,028)	\$ (2,686,678)

6. Income tax examination

The Company's income tax return for profit-making enterprises as of 2022 has been approved and filed with the tax authority.

7. Information about unappropriated retained earnings

	December 31, 2024	December 31, 2023
Before 1997	\$ -	\$ -
After 1998	231,348,459	191,039,731
Total	\$ 231,348,459	\$ 191,039,731

(XX) Equity

1. Share capital

On January 1, 2023, the authorized share capital was NTD 1,800,000,000, and the total paid-in capital was NTD 1,082,500,000, divided into 108,250,000 shares, all of which were ordinary shares, with a nominal value of NTD 10 per share.

Between the second quarter and the third quarter of 2023, holders of convertible corporate bonds exercised their conversion rights and applied for a convertible amount of NTD314,600,000. They requested the exchange of 10,214,251 ordinary shares at par value, totaling NTD102,142,510. After taking into account the discount on corporate bonds payable, financial liabilities at fair value through profit or loss, deferred tax liabilities and capital reserve - convertible corporate bond options, a premium of NTD 217,567,548 was recognized for capital reserve - issued shares. We completed the registration for the change on September 1, 2023.

On December 31, 2023, the authorized share capital was NTD1,800,000,000, and the total paid-in capital was NTD1,184,642,510, divided into 118,464,251 shares, all of which were ordinary shares, with a nominal value of NTD10 per share.

Between the first quarter and the third quarter of 2024, holders of convertible corporate bonds exercised their conversion rights and applied for a convertible amount of NTD 179,500,000. They requested the exchange of 5,968,358 ordinary shares at par value, totaling NTD 59,683,580. After taking into account the discount on corporate bonds payable, financial liabilities at fair value through profit or loss, deferred tax liabilities and capital reserve - convertible corporate bond options, a premium of NTD 118,650,040 was recognized for capital reserve - issued shares. We have completed the registration for the change on May 13, 2024 and November 28, 2024,

respectively.

Between the fourth quarter of 2024, holders of convertible corporate bonds exercised their conversion rights and applied for a convertible amount of NTD 27,800,000. They requested the exchange of 932,870 ordinary shares at par value, totaling NTD 9,328,700. After considering the discount on bonds payable, financial liabilities at fair value through profit or loss, deferred tax liabilities, and capital reserve - convertible bond options, a capital reserve - share premium of NTD 19,370,910 was recognized. The registration of the aforementioned conversion was not completed as of December 31, 2024, and is presented under Convertible Bond Subscription Certificates.

On December 31, 2024, the authorized share capital was NTD 1,800,000,000, and the total paid-in capital was NTD 1,244,326,090, divided into 124,432,609 shares, all of which were ordinary shares, with a nominal value of NTD 10 per share.

2. Capital surplus

	December 31, 2024	December 31, 2023
Share premium (including convertible bonds)	\$ 355,898,337	\$ 217,877,387
Consolidated premium	9,008,923	9,008,923
Convertible corporate bond options	4,202,157	9,382,000
Total	<u>\$ 369,109,417</u>	<u>\$ 236,268,310</u>

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

3. Legal reserve

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

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

4. Special reserve

The Company recognizes and reverses the special reserve in accordance with the provisions of Jin-Guan-Zheng-Fa-Zi No. 1010012865, Jin-Guan-Zheng-Fa-Zi No. 1010047490 and "Questions and Answers on Special Reserve after IFRSs Adoption". If the balance of other equity decreases subsequently has been reversed, the retained earnings may be distributed for the reversed part. In addition, the FSC has issued the Jin-Guan-Zheng-Fa-Zi No. 1090150022 letter on March 31, 2021. After the issuance of the letter, the original Jin-Guan-Zheng-Fa-Zi No. 1010012865 letter and the original Jin-Guan-Zheng-Fa-Zi No. 1010047490 letter were abolished on December 31, 2021 and March 31, 2021 respectively. The Company will follow the relevant letters and orders.

5. Earnings distribution

If there is any surplus after the Company's annual final settlement, the Company shall set aside 10% as legal reserve after covering the accumulated

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

The provision of the special reserve referred to in the preceding paragraph is the part accumulated but not fully appropriated in the previous period. The special reserve of the same amount shall be set aside from the undistributed earnings in the previous period. In case of still insufficient, the provision shall be made from the amount of the undistributed earnings in the current period other than the current after-tax net profit plus the current after-tax net profit.

If the shareholders' dividends are distributed in cash, the Board of Directors shall be authorized to report to the shareholders' meeting. This report requires a resolution passed by a majority of the directors present, provided that more than two-thirds of the directors are present.

The Company's earnings distribution plan for the year 2023 is as follows:

Item	2023
Legal reserve	\$ 4,361,552
Reversal of special reserve	(15,659,048)
Cash dividends	35,539,275 (NTD0.30 per share)

The above cash dividends have been distributed by the resolution of the Board of Directors on February 21, 2024. Additionally, the remaining earnings distribution items have also been resolved by the shareholders' meeting on May 24, 2024.

The Company's earnings distribution plan for the year 2024 proposed by the Board of Directors on February 19, 2025 is as follows:

Item	2024
Legal reserve	\$ 6,455,051
Cash dividends	62,682,740 (NTD 0.50 per share)

The above cash dividends have been distributed by the resolution of the Board of Directors on February 19, 2025. Additionally, the remaining earnings distribution items are subject to the resolution of the shareholders' meeting on May 23, 2025.

In addition, the earnings distribution 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

Changes in exchange differences on translation of foreign financial statements are as follows:

	2024		2023
Opening balance	\$	-	\$ (14,957,443)
Translation of foreign operations' financial statements			
Exchange differences arising on translation		-	(764,029)
Reclassification adjustments - disposal of foreign operations		-	15,721,472
Ending balance	\$	-	\$ -

The reclassification adjustment related to the exchange differences on translation of financial statements of foreign operating institutions in 2023 is NTD17,552,553, of which NTD1,831,081 is attributable to the share of non-controlling interests.

8. Non-controlling interests

Changes in non-controlling interests:

	2024		2023
Opening balance	\$	-	\$ 11,851,407
Share of net profit attributable to the non-controlling interests for the period			
Profit		-	2,322,296
Current period other comprehensive income			
Translation of foreign operations' financial statements			
Exchange differences arising on translation		-	(77,876)
Reclassification adjustments - disposal of foreign operations		-	1,831,081
Disposal of subsidiary		-	(15,926,908)
Ending balance	\$	-	\$ -

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

(XXI) Earnings per share

		2024	
	Current net profit (numerator)	Weighted average number of outstanding shares (denominator)	Earnings per share
Earnings per share - basic			
Net profit from continuing operation attributable to owners of the parent company for the period	\$ 63,128,703		\$ 0.51
Net profit from discontinuing operation attributable to owners of the parent company for the period	-		-
Net profit attributable to owners of the parent company for the period	<u>\$ 63,128,703</u>	123,045,844 shares	<u>\$ 0.51</u>
Earnings per share - diluted			
Net profit from continuing operation attributable to owners of the parent company for the period	\$ 63,128,703		\$ 0.51
Effect of potential dilutive common shares- remuneration to the employees		- 108,644 shares	
Net profit from discontinuing operation attributable to owners of the parent company for the period	-		-
Net profit attributable to owners of the parent company for the period	<u>\$ 63,128,703</u>	123,154,488 shares	<u>\$ 0.51</u>

In 2024, the Company included the potential ordinary shares from the convertible corporate bonds, which would have resulted in an anti-dilutive effect. Therefore, these potential shares were not included in the calculation of diluted earnings per share.

		2023	
	Current net profit (numerator)	Weighted average number of outstanding shares (denominator)	Earnings per share
<u>Earnings per share - basic</u>			
Net profit from continuing operation attributable to owners of the parent company for the period	\$ 18,704,210		\$ 0.17
Net profit from discontinuing operation attributable to owners of the parent company for the period	<u>25,026,743</u>		<u>0.22</u>
Net profit attributable to owners of the parent company for the period	<u>\$ 43,730,953</u>	113,220,492 shares	<u>\$ 0.39</u>
<u>Earnings per share - diluted</u>			
Net profit from continuing operation attributable to owners of the parent company for the period	\$ 18,704,210		\$ 0.17
Effect of potential dilutive common shares-remuneration to the employees		- 22,663 shares	
Net profit from discontinuing operation attributable to owners of the parent company for the period	<u>25,026,743</u>		<u>0.22</u>
Net profit attributable to owners of the parent company for the period	<u>\$ 43,730,953</u>	113,243,155 shares	<u>\$ 0.39</u>

In 2023, the Company included the potential ordinary shares from the convertible corporate bonds, which would have resulted in an anti-dilutive effect. Therefore, these potential shares were not included in the calculation of diluted earnings per share.

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

	2024	2023
Ordinary shares at the beginning of the period	118,464,251 shares	108,250,000 shares
Conversion of convertible bonds to ordinary shares	5,968,358 shares	10,214,251 shares
Bond conversion entitlement certificates	932,870 shares	- Share
Ordinary shares at the end of the period	<u>125,365,479 shares</u>	<u>118,464,251 shares</u>
Weighted average number of ordinary shares	<u>123,045,844 shares</u>	<u>113,220,492 shares</u>

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

Function Classification	2024			2023		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses						
Salary expenses	\$					
Labor and national health insurance expenses	130,819,427	\$ 60,410,290	\$ 191,229,717	\$ 114,560,159	\$ 53,456,203	\$ 168,016,362
Pension expenses	12,094,435	5,712,235	17,806,670	12,358,852	5,653,221	18,012,073
Other employee benefit expenses	5,134,642	2,703,428	7,838,070	5,112,382	2,649,058	7,761,440
Depreciation expenses (Note)	8,829,752	3,409,279	12,239,031	8,843,047	2,995,783	11,838,830
Amortization expenses	209,519,730	24,791,238	234,310,968	183,611,308	22,789,831	206,401,139
	-	91,878	91,878	-	-	-

Note: The depreciation of assets available for lease of the Consolidated Company in 2024 and 2023 was recognized as non-operating income and expenses, both of which were NTD 108,480 and NTD 889,811.

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

If the Company has made a profit in the year, it shall contribute not less than 1% of the profit for the remuneration to employees and not more than 3% of the profit for the remuneration to directors. 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 remuneration of the Company in 2024 and 2023 are as follows:

	2024	2023
Remuneration to employees	\$ 3,099,261	\$ 400,000
Remuneration to the directors	\$ 1,560,000	\$ 400,000

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 2023 and 2022 is NTD 400,000 and NTD 1,420,000 respectively, and the director remuneration is NTD 400,000 and NTD1,600,000 respectively, which is not different from the actual distribution amount.

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

(XXIII) Operating revenue

Breakdown of income:

		2024			
Key market region	Key products	Basic chemicals	Specialty chemicals	Electronic chemicals	Total
Taiwan		\$ 968,967,191	\$ 541,931,061	\$ 461,268,287	\$ 1,972,166,539
Japan		-	44,899,559	-	44,899,559
United States		-	40,167,078	-	40,167,078
Other		2,108,953	22,428,868	1,311,641	25,849,462
Proceeds from continuing operations		\$ 971,076,144	\$ 649,426,566	\$ 462,579,928	\$ 2,083,082,638

		2023			
Key market region	Key products	Basic chemicals	Specialty chemicals	Electronic chemicals	Total
Taiwan		\$ 863,671,833	\$ 252,604,601	\$ 485,510,956	\$ 1,601,787,390
Japan		-	60,438,400	-	60,438,400
United States		-	35,608,245	-	35,608,245
Other		2,958,197	23,183,126	-	26,141,323
Proceeds from continuing operations		\$ 866,630,030	\$ 371,834,372	\$ 485,510,956	\$ 1,723,975,358

(XXIV) Total interest income

The Consolidated Company's interest income is analyzed below:

	2024	2023
Bank deposit interest	\$ 1,448,247	\$ 3,072,490
Interest income from financing lease	8,193	46,690
Total	1,456,440	3,119,180
Less: Interest income from discontinuing operation	-	(2,115,523)
Interest income from continuing operations	\$ 1,456,440	\$ 1,003,657

(XXV) Other income

The Consolidated Company's other income is analyzed below:

	2024	2023
Rental income	\$ 1,615,151	\$ 1,728,168
Government grants income	54,960	332,890
Other income - others	1,373,402	3,202,741
Total	3,043,513	5,263,799
Less: other income from discontinuing operation	-	(1,542,742)
Other income from continuing operations	\$ 3,043,513	\$ 3,721,057

(XXVI) Other gains and losses

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

	2024	2023
Net gains from disposal of property, plant and equipment	\$ 582,940	\$ 3,080,977
Loss on disposal of foreign operations	-	(17,552,553)
Net gains (losses) on foreign exchange	2,775,596	(1,735,720)
Gain of financial assets and liabilities at fair value through profit or loss	681,460	3,237,740
Compensation for losses	(1,400,525)	-
Depreciation of assets for lease	(108,480)	(889,811)
Miscellaneous disbursements	(355,849)	(1,229,279)
Total	2,175,142	(15,088,646)
Add: other income and loss from discontinuing operation	-	23,599,936
Other income and loss from continuing operations	\$ 2,175,142	\$ 8,511,290

(XXVII) Finance costs

The Consolidated Company's finance costs are analyzed below:

	2024	2023
Bank loans interest	\$ 7,026,635	\$ 4,320,862
Commercial paper interest payable	491,852	442,662
Corporate bonds interest	3,229,362	9,567,142
Imputed interest of guarantee deposits and margins received	3,504	3,228
Interest on lease liabilities	140,626	129,213
Bank charges	-	10,669
Less: capitalization of borrowing costs	(8,776,647)	(8,471,763)
Total	2,115,332	6,002,013
Less: financial cost of discontinuing operation	-	(10,669)
Financial cost of discontinuing operation	\$ 2,115,332	\$ 5,991,344

The capitalized amount of borrowing costs of the Consolidated Company in 2024 and 2023 was NTD 8,776,647 and NTD 8,471,763 respectively, and the capitalized interest rates in 2024 and 2023 were 2.052% and 2.236% respectively.

(XXVIII) Additional information of expenses by nature

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

	2024	2023
Financial assets impairment loss		
Expected credit impairment loss	\$ -	\$ 8,269,019
Depreciation and amortization expense		
Depreciation of property, plant and equipment	229,223,404	202,604,417
Depreciation of right-of-use assets	5,087,564	4,578,053
Depreciation of investment property	108,480	108,480
Amortization of intangible assets	91,878	-
Total	234,511,326	207,290,950
Research and development expenditures recognized as expenses when incurred	25,920,939	24,188,036
Employee benefits expenses		
Post-employment benefits		
Defined contribution plan	7,798,957	7,651,465
Defined benefit plans	39,113	109,975
Subtotal	7,838,070	7,761,440
Other employee benefits	221,275,418	197,867,265
Total	229,113,488	205,628,705
Expense from discontinuing operations	\$ 489,545,753	\$ 445,376,710

(XXIX) Financial instruments

1. Categories of financial instruments

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Financial assets</u>		
Fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 15,620	\$ -
Measured at amortized cost		
Cash and cash equivalents	145,528,479	209,122,570
Notes and accounts receivable	505,058,364	503,595,493
Other receivables	9,650,268	4,705,791
Finance lease receivables	-	311,807
Refundable deposits paid	47,079,250	33,954,974
Overdue receivables	-	-
Subtotal	<u>707,316,361</u>	<u>751,690,635</u>
Total	<u>\$ 707,331,981</u>	<u>\$ 751,690,635</u>

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Financial liabilities</u>		
Fair value through profit or loss		
Financial liabilities held for trading	\$ -	\$ 599,340
Measured at amortized cost		
Short-term loans	259,066,394	153,682,422
Short-term notes payable	-	34,970,674
Notes and accounts payable	179,745,125	157,617,724
Other payables	231,106,525	183,374,387
Lease liabilities	8,525,462	7,684,388
Bonds payable	76,789,289	274,348,786
Long-term loans	185,000,000	180,000,000
Guarantee deposits and margins received	<u>266,432</u>	<u>324,432</u>
Subtotal	<u>940,499,227</u>	<u>992,002,813</u>
Total	<u>\$ 940,499,227</u>	<u>\$ 992,602,153</u>

2. Financial risk management objectives

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

3. Market risks

The main market risks borne by the Consolidated Company due to its operating activities are the fluctuation of foreign exchange rate and interest rate. The Consolidated Company always keeps a close eye on and responds to the possible risks caused by changes in exchange rates. In addition, the

Consolidated Company adjusts its own funds and bank borrowings flexibly to meet the needs of operation. As the current market interest rate has kept low for a while, there is no significant risk of interest rate change, so the Company does not manage interest rate risk with derivative financial instruments.

(1) Foreign currency risk

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

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

The sensitivity analysis of foreign currency exchange rate risk is mainly calculated for monetary items in foreign currency at the end of the financial reporting period. When the NTD appreciates/depreciates by 1% against the USD, the Consolidated Company's net profit in 2024 and 2023 would increase/decrease by NTD 185,231 and NTD 17,839, accordingly.

(2) Interest rate risk

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

The sensitivity analysis of interest rate risk is based on the interest rate exposure of non-derivative financial instruments at the end of the financial reporting period. If the interest rate rises/falls by 0.1%, the net profit of the Consolidated Company in 2024 and 2023 will increase by NTD 302,860 and NTD 126,840, accordingly.

(3) Other price risk

The Consolidated Company has no significant other price risk.

4. Credit risk management

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

As of December 31, 2024 and 2023, the total accounts receivable balance from customers with balances exceeding 5% of the consolidated company's total accounts receivable represented 38.11% and 38.35% of the Consolidated Company's total accounts receivable, respectively. The consolidated company has been continuously assessing the financial condition of its major sales customers to mitigate credit risk associated with this concentration.

In addition, the credit risk and concentration risk are also limited because the counterparts of the working capital are several banks with a high credit

rating given by an international credit rating agency.

5. Liquidity risk management

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

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

December 31, 2024					
	Within 6 months	6-12 months	1 - 2 years	2 - 5 years	Total
Non-derivative financial liabilities					
Short-term loans	\$259,066,394	\$ -	\$ -	-	\$259,066,394
Note payable	1,007,222	-	-	-	1,007,222
Accounts payable	178,737,903	-	-	-	178,737,903
Other payables	230,376,525	60,000	120,000	550,000	231,106,525
Lease liabilities	2,723,565	1,878,900	2,677,632	1,522,714	8,802,811
Bonds payable	78,100,000	-	-	-	78,100,000
Long-term loans	-	-	185,000,000	-	185,000,000
Total	<u>\$750,011,609</u>	<u>\$ 1,938,900</u>	<u>\$187,797,632</u>	<u>\$ 2,072,714</u>	<u>\$941,820,855</u>
December 31, 2023					
	Within 6 months	6-12 months	1 - 2 years	2 - 5 years	Total
Non-derivative financial liabilities					
Short-term loans	\$153,682,422	\$ -	\$ -	-	\$153,682,422
Short-term notes payable	35,000,000	-	-	-	35,000,000
Note payable	1,533,070	-	-	-	1,533,070
Accounts payable	156,084,654	-	-	-	156,084,654
Other payables	183,374,387	-	-	-	183,374,387
Lease liabilities	2,454,622	1,903,479	2,336,617	1,165,664	7,860,382
Bonds payable	-	285,400,000	-	-	285,400,000
Long-term loans	180,000,000	-	-	-	180,000,000
Total	<u>\$712,129,155</u>	<u>\$287,303,479</u>	<u>\$ 2,336,617</u>	<u>\$ 1,165,664</u>	<u>\$1,002,934,915</u>

6. Fair value of financial instruments

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

December 31, 2024					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities					
Financial liabilities measured at amortized cost - convertible corporate bond	\$ 76,789,289	\$ -	\$ 77,404,910	\$ -	\$ 77,404,910

December 31, 2023					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities					
Financial liabilities measured at amortized cost - convertible corporate bond	\$ 274,348,786	\$ -	\$ 276,895,080	\$ -	\$ 276,895,080

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

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

Monetary items

		December 31, 2024			2024
		Foreign currency amount	Measured exchange rate at the end of the period	NTD	Exchange gains (losses) generated
Currency					
Financial assets					
Cash and cash equivalents	USD	\$ 19,858	32.7935	\$ 651,213	\$1,468,245
Cash and cash equivalents	RMB	5,143,894	4.5246	23,042,073	3,238,317
Accounts receivable	USD	285,731	32.7935	9,370,122	186,184
Financial liabilities					
Short-term loans	USD	124,000	32.7935	4,066,394	(33,196)
Accounts payable	USD	744,609	32.7935	24,418,211	(232,611)
Other payables	USD	1,820	32.7935	59,684	(23)
Other payables	JPY	3,800,000	0.2099	815,671	8,161
Exchange gains and losses arising from general transactions					(1,859,481)
Total					\$2,775,596

	December 31, 2023				2023
	Currency	Foreign currency amount	Measured exchange rate at the end of the period	NTD	Exchange gains (losses) generated
Financial assets					
Cash and cash equivalents	USD	\$ 238	30.717	\$ 7,318	\$ 522,113
Cash and cash equivalents	RMB	21,481,306	4.3287	92,986,129	157,661
Accounts receivable	USD	909,561	30.717	27,938,519	(1,219,017)
Financial liabilities					
Short-term loans	USD	771,000	30.717	23,682,422	983,509
Accounts payable	USD	196,875	30.717	6,036,554	254,924
		Exchange gains and losses arising from general transactions			(2,434,910)
					Total \$ (1,735,720)

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

(XXX) Capital management

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

The Consolidated Company's debt ratio at the end of 2024 and 2023 was as follows:

	December 31, 2024	December 31, 2023
Total liabilities	\$ 963,505,649	\$ 1,006,071,247
Total assets	\$ 3,035,379,215	\$ 2,847,080,194
Liability proportion	31.75%	35.34%

The primary reason for the decrease in the debt-to-equity ratio at the end of 2024 was due to the reduction in total liabilities resulting from the exercise of conversion rights by the holders of the Company's convertible bonds. Please refer to notes 6(XVI) and (XX) for further explanation

VII. Related party transaction

(I) Name and relationship of related party

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

Note: The general manager of the Company, who served from March 1, 2022 to January 16, 2024, was a director of TUS. Significant transactions with TYS from the date of his appointment to the date of his resignation are disclosed.

(II) Significant transactions with related parties

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

Operating revenue - sale of goods

1. Transaction amount

	<u>2024</u>	<u>2023</u>
Everlight Chemical	\$ 40,449,589	\$ 28,229,921
TYS	292,800	22,911,760
Total	<u>\$ 40,742,389</u>	<u>\$ 51,141,681</u>

2. Outstanding balance (net accounts receivable - related parties)

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Everlight Chemical	\$ 14,784,159	\$ 10,691,814
TYS	-	6,936,401
Less: loss allowances	(117,408)	(131,168)
Net value	<u>\$ 14,666,751</u>	<u>\$ 17,497,047</u>

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

(III) Remuneration of key management personnel

	<u>2024</u>	<u>2023</u>
Short-term benefits	\$ 7,706,667	\$ 7,225,600
Post-employment benefits	321,624	321,624
Other long-term employee benefits	-	-
Post-employment benefit	-	-
Share-based payment	-	-
Total	<u>\$ 8,028,291</u>	<u>\$ 7,547,224</u>

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, 2024	December 31, 2023
Land	\$ 237,920,762	\$ 237,920,762
Property and building	33,330,205	37,917,083
Other	2,862,311	3,743,063
Total	<u>\$ 274,113,278</u>	<u>\$ 279,580,908</u>

IX. Material contingent liabilities and unrecognized contractual commitments

The major commitments and contingencies of the Consolidated Company at the end of 2024 are as follows:

- (I) The unused letter of credit issued for domestic and overseas purchases is NTD 40,000,000 and USD 328,850.
- (II) The guaranteed notes issued for obtaining the loan commitments from financial institutions are NTD 650,000,000 and USD 3,000,000.
- (III) The guarantee note issued for the sale of goods is NTD 3,651,300.
- (IV) To expand the production scale, the total price of outstanding major equipment purchase contracts signed with various manufacturers is NTD 1,014,412,956, and the unpaid amount is NTD 386,771,138.
- (V) A contract was signed with BASF Taiwan Ltd., which agreed that part of the Company's land and plant would be used by BASF Taiwan 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, 2024.

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 NTD 300 million or 20% of paid-in capital or more: None.
- 6. Disposal of property reaching NTD 300 million or 20% of paid-in capital or more: None.
- 7. The purchase and sale of goods with related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- 8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.

9. Trading in derivative instruments: None.
10. The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: None.

(II) Information on investees

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

(III) Information on investment in mainland China: None.

(IV) Information on major shareholders: See Table 1 attached.

XIV. Segments information

(I) Profit and loss of operating segments information

The Consolidated Company's disclosures of department information in 2024 and 2023 are as follows:

2024	Basic chemicals	Specialty chemicals	Electronic chemicals	Continuing operations
Income				
Income from external customers	\$ 971,076,144	\$ 649,426,566	\$ 462,579,928	\$ 2,083,082,638
Segment profit (loss) before tax				\$ 75,128,703
2023	Basic chemicals	Specialty chemicals	Electronic chemicals	Continuing operations
Income				
Income from external customers	\$ 866,630,030	\$ 371,834,372	\$ 485,510,956	\$ 1,723,975,358
Segment profit (loss) before tax				\$ 10,304,210

The Consolidated Company is primarily engaged in the production and sales of basic chemicals, specialty chemicals, and electronic chemicals. As all these products fall under the category of chemical products, it is a single operating and reportable segment. The operating decision maker utilizes this segment for evaluating the overall operational performance of the Consolidated Company and making decisions.

Basic chemicals include sulfuric acid, liquid alkali, hydrochloric acid, polyaluminum chloride, and other inorganic chemicals; special chemicals include special dye pigments and intermediates, functional intermediates, toluene sulfonation series products, thermal paper coating raw materials, and other chemicals; electronic chemicals include electronic grade sulfuric acid, special developer for LCD, and other formula products for the electronic industry.

Accounting policies adopted by the operating segments are the same as

the summary of significant accounting policies in Note 4. The Consolidated Company has not allocated tax expense (gain) to reportable segment. The amounts reported are consistent with the reporting used by the operating decision maker.

(II) Product and service information

	Operating revenue in 2024	Operating revenue in 2023
Basic chemicals series	\$ 971,076,144	\$ 866,630,030
Specialty chemicals series	649,426,566	371,834,372
Electronic chemicals series	462,579,928	485,510,956
Product and service information from continuing operations	<u>\$ 2,083,082,638</u>	<u>\$ 1,723,975,358</u>

(III) Geographic information

1. Income from external customers

	2024	2023
Taiwan	\$ 1,972,166,539	\$ 1,601,787,390
Japan	44,899,559	60,438,400
United States	40,167,078	35,608,245
Other	25,849,462	26,141,323
Proceeds from external customers of continuing operations	<u>\$ 2,083,082,638</u>	<u>\$ 1,723,975,358</u>

2. Non-current assets

	December 31, 2024	December 31, 2023
Taiwan	<u>\$ 2,017,537,894</u>	<u>\$ 1,774,939,825</u>

The regional income of the Consolidated Company is calculated based on the receiving region. Non-current assets do not include financial instruments, deferred income tax assets, and post-retirement benefit assets.

(IV) Major customer information

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

Customer name	2024		Sales department	2023		Sales department
	Amount of sales	Proceeds from continuing operations %		Amount of sales	Proceeds from continuing operations %	
Customer A	<u>\$ 256,470,946</u>	12.31%	Electronic chemicals	<u>\$ 295,410,738</u>	17.14%	Electronic chemicals
Customer B	<u>\$ 288,271,800</u>	13.84%	Specialty chemicals	<u>Note 1</u>	-	-

Note 1: The amount of revenue is less than 10% of the total revenue of the Consolidated Company.

CHUNG HWA CHEMICAL INDUSTRIAL WORKS. LTD. AND SUBSIDIARIES
 INFORMATION ON MAJOR SHAREHOLDERS
 December 31, 2024

TABLE 1

Major shareholders	Shareholding	Quantity of shareholding	Ratio of shareholding
Kan Wen-Yuan		10,689,858	8.52%
Fengen Investment Co., Ltd.		9,369,165	7.47%
Baoen Investment Co., Ltd.		9,096,894	7.25%
Zongen Investment Co., Ltd.		8,207,740	6.54%

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.