Stock Code: 1735

Evermore Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Independent Auditor's Report
2022 and 2021

Address: No. 7, Gongye S. 2nd Rd., Nantou City, Nantou County 540, Taiwan (R.O.C.)
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Statement of Affiliate's Consolidated Financial Report

For the year 2022 (January 1 - December 31, 2022), the Company complies with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises in that the companies that should be included in the preparation of the consolidated financial statements of the affiliated companies are the same as the companies that should be included in the preparation of the consolidated financial statements of the parent and subsidiary companies in accordance with IFRS 10. In addition, the relevant information that should be disclosed in the consolidated financial statements of the associated companies has been disclosed in the consolidated financial statements of the parent and subsidiary companies of the former disclosure. Therefore, there is no need to prepare the consolidated financial statements of associated companies separately.

Hereby declared by

Evermore Chemical Industry Co., Ltd.

Chairman: Ho Wen-Chieh

March 14, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders Evermore Chemical Industry Co., Ltd.

Audit Opinion

We have completed our review of Evermore Chemical Industry Co., Ltd. and Subsidiaries (Evermore Group) Consolidated Balance Sheet for December 31, 2022 and 2021; and Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to the Consolidated Financial Statements (including a summary of significant accounting policies) for January 1 – December 31, 2022 and 2021.

In our opinion, the aforementioned consolidated financial statements in all major respects are in compliance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretation, or SIC Interpretation endorsed by the Financial Supervisory Commission. They are sufficient to adequately express the consolidated financial status of Evermore Group as of December 31, 2022 and 2021 and its consolidated financial performance and consolidated cash flow from January 1 through December 31, 2022 and 2021.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of the report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters refer to the most important matters for the audit of Evermore Group's 2022 consolidated financial statements based on our professional judgment. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of Evermore Group's 2022 consolidated financial statements are hereby stated as follows:

Authenticity of revenue recognition for specific customers

The main source of revenue of Evermore Group is the sales of resins, and the sales locations are mainly located in markets such as Asia. In the operating revenue in 2022, the amount of transactions with specific customers were critical to the overall operating revenue. Meanwhile, subject to the epidemic and changes in the economic environment, there was a significant risk to the authenticity of their revenue and, therefore, the authenticity of revenue recognition for specific customers was listed as a key audit matter. For accounting policies related to revenue recognition, please refer to Note IV of consolidated financial statements.

The main audit procedures that we have implemented in response to the above key audit matters are as follows:

1. Understand and evaluate internal control design related to inspection and risk in the sales and collection cycle, and execute tests of its effectiveness.
2. Select samples from the sales details of specific customers, review relevant documents such as shipment orders and export declarations, and check whether collection counterparties are consistent with sales counterparties.

Miscellaneous

Evermore Chemical Industry Co., Ltd. has prepared parent company only financial statements for 2022 and 2021, and the audit reports with unqualified opinions that we have issued are on file for reference.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue operations, disclosing related matters, as well as continuing operations with the basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no feasible alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the governance unit, we have determined key audit matters of Evermore Group's 2022 consolidated financial statements. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Taiwan
Dai Hsin-Wei, CPA

Su Ting-Chien, CPA

Approval reference of the Securities and Futures Bureau
Tai-Tsai-Cheng (VI) No. 0930128050

Approval reference of the Financial Supervisory Commission
SFB Shenzi No. 1070323246

March 14, 2023

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021

Unit: NTD thousand

Code	ASSETS	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	CURRENT ASSETS				
1100	Cash (Notes 4 and 6)	$ 172,219	5	$ 228,045	6
1136	Financial assets measured at amortized cost - current (Notes IV, VII and XXIV)	59,784	2	70,765	2
1150	Notes receivable (Notes IV and VIII)	278,809	8	187,325	5
1170	Accounts receivable due from non-related parties (Notes IV and VIII)	412,679	12	745,825	20
1180	Accounts receivable due from related parties (Notes IV, IV, and XXIII)	37,284	1	24,403	1
1200	Other receivables	1,950	-	11,608	-
1220	Current tax assets (Notes IV and XIX)	2,691	-	2,691	-
130X	Inventories (Notes IV and IX)	680,911	20	752,571	20
1410	Prepayments	49,391	2	50,673	2
1479	Other current assets	628	-	854	-
11XX	Total current assets	1,696,346	50	2,074,760	56
	NON-CURRENT ASSETS				
1600	Property, plant, and equipment (Notes IV, XI, and XXIV)	1,373,046	41	1,352,143	37
1755	Right-of-use assets (Notes IV and XXII)	206,047	6	160,550	4
1760	Investment real estate (Note IV)	1,007	-	1,007	-
1780	Intangible assets (Note IV)	11,351	-	7,988	-
1805	Goodwill (Notes IV and XIII)	43,708	1	40,715	1
1840	Deferred tax assets (Notes IV and XIX)	24,503	1	31,834	1
1915	Prepayments for equipment	31,580	1	46,541	1
1920	Refundable deposits	1,254	-	1,280	-
15XX	Total non-current assets	1,692,496	50	1,642,058	44
1XXX	TOTAL	$ 3,388,842	100	$ 3,716,818	100
Code	**LIABILITIES AND EQUITY**				
	CURRENT LIABILITIES				
2100	Short-term bank loans (Notes XIV and XXIV)	$ 909,553	27	$ 1,139,045	31
2110	Short term notes and bills payable (Note XXIV)	109,860	3	129,926	3
2150	Notes payable	25,427	1	26,128	1
2170	Accounts payable (Note XXIII)	205,193	6	325,595	9
2200	Other payables (Notes XV and XXIII)	108,185	3	110,516	3
2230	Current tax liabilities (Notes IV and XIX)	9,703	-	6,372	-
2280	Lease liabilities - current (Notes IV and XII)	3,866	-	-	-
2322	Long-term bank loans due within one year (Notes XIV and XXIV)	54,000	2	56,500	1
2399	Other current liabilities- Other	12,715	1	14,394	-
21XX	Total current liabilities	1,438,502	43	1,808,476	48
	Noncurrent liabilities				
2541	Short-term bank loans (Notes XIV and XXIV)	376,617	11	430,617	12
2570	Deferred tax liabilities (Notes IV and XIX)	44,148	1	45,073	1
2580	Lease liabilities - non-current (Notes IV and XII)	33,635	1	-	-
2645	Guarantee deposits	441	-	434	-
25XX	Total non-current liabilities	454,841	13	476,124	13
2XXX	Total liabilities	1,893,343	56	2,284,600	61
	EQUITY				
3110	Share capital from common stock	993,880	29	993,880	27
3200	Capital surplus	98,017	3	98,017	3
	Retained earnings				
3310	Statutory reserves	223,032	7	222,026	6
3320	Special reserve	24,313	1	11,624	-
3350	Undistributed earnings	152,499	4	130,984	4
3400	Other equity	3,758	-	(24,313)	(1)
3XXX	Total equity	1,495,499	44	1,432,218	39
	TOTAL	$ 3,388,842	100	$ 3,716,818	100

The accompanying notes are an integral part of the consolidated financial statements.

Chairman: Ho Wen-Chieh Manager: Huang Chng-Tze Chief Accountant: Chen Hsiang-Li

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
January 1 to December 31, 2022 and 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		2022 Amount	2022 %	2021 Amount	2021 %
4000	NET SALES REVENUES (Notes IV and XXIII)	$ 2,957,191	100	$ 3,201,106	100
5000	Operating costs (Notes IX, XVIII and XXIII)	2,571,177	87	2,767,913	86
5900	Gross profit	386,014	13	433,193	14
	OPERATING EXPENSES (Note XVIII)				
6100	Selling and marketing expenses	157,367	5	158,756	5
6200	Management expenses	149,807	5	141,419	5
6300	Research and development expenses	71,174	3	70,427	2
6450	Expected credit loss (Notes IV and VIII)	10,959	-	31,302	1
6000	Total operating expenses	389,307	13	401,904	13
6900	PROFIT (LOSS) FROM OPERATIONS	(3,293)	-	31,289	1
	Non-operating revenue and expenditure				
7010	Other income (Note XXIII)	33,723	1	13,996	-
7020	Other gains and losses	(1,993)	-	(6,042)	-
7100	Interest income	1,557	-	798	-
7230	Foreign exchange net gain (loss) (Note XVIII)	40,005	1	(16,264)	-
7510	Interest fees	(26,777)	(1)	(17,369)	(1)
7000	Total non-operating income and expenses	46,515	1	(24,881)	(1)
7900	Net profits before tax	43,222	1	6,408	-
7950	Income tax expense (gain) (Notes IV and XIX)	8,012	-	(3,649)	-
8200	Net income	35,210	1	10,057	-

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Code		2022 Amount	2022 %	2021 Amount	2021 %
	OTHER COMPREHENSIVE INCOME (LOSS) (Note IV)				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	$ 34,709	1	($ 15,642)	-
8399	Income tax related to items that may be reclassified to profit or loss	(6,638)	-	2,917	-
8300	Other comprehensive income (loss) for the year, net income tax	28,071	1	(12,725)	-
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 63,281	2	($ 2,668)	-
	EARNINGS PER SHARE (Note XX)				
9750	Basic	$ 0.35		$ 0.10	
9850	Diluted	$ 0.35		$ 0.10	

The accompanying notes are an integral part of the consolidated financial statements.

Chairman: Ho Wen-Chieh Manager: Huang Chng-Tze Chief Accountant: Chen Hsiang-Li

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
January 1 to December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		EQUITY						
		Share capital from common stock (Note XVII)	Capital Surplus (Note XVII)	Retained Earnings (Note XVII)			Exchange differences on translating the financial statements of foreign operations	Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings		
A1	Balance on January 1, 2021	$ 993,880	$ 98,017	$ 214,625	$ 21,610	$ 168,036	($ 11,588)	$ 1,484,580
	Earnings allocation and distribution for 2020							
B1	Statutory reserves	-	-	7,401	-	(7,401)	-	-
B5	Cash dividends distributed by the Company - NT$ 0.5 per share	-	-	-	-	(49,694)	-	(49,694)
B17	Reversal of special reserve	-	-	-	(9,986)	9,986	-	-
D1	2021 net profit	-	-	-	-	10,057	-	10,057
D3	Other comprehensive income after tax for 2021	-	-	-	-	-	(12,725)	(12,725)
D5	Total comprehensive income for 2021	-	-	-	-	10,057	(12,725)	(2,668)
Z1	Balance on December 31, 2021	993,880	98,017	222,026	11,624	130,984	(24,313)	1,432,218
	Earnings allocation and distribution for 2021							
B1	Statutory reserves	-	-	1,006	-	(1,006)	-	-
B3	Special reserve	-	-	-	12,689	(12,689)	-	-
D1	2022 net profit	-	-	-	-	35,210	-	35,210
D3	Other comprehensive income after tax for 2022	-	-	-	-	-	28,071	28,071
D5	Total comprehensive income for 2022	-	-	-	-	35,210	28,071	63,281
Z1	Balance on December 31, 2022	$ 993,880	$ 98,017	$ 223,032	$ 24,313	$ 152,499	$ 3,758	$ 1,495,499

The accompanying notes are an integral part of the consolidated financial statements.

Chairman: Ho Wen-Chieh Manager: Huang Chng-Tze Chief Accountant: Chen Hsiang-Li

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

Code		2022	2021
	CASH FLOW FROM OPERATING ACTIVITIES		
A10000	Income before tax	$ 43,222	$ 6,408
A20000	Adjustments for:		
A20100	Depreciation expense	104,083	100,503
A20200	Amortization expense	1,742	1,197
A20300	Expected credit loss	10,959	31,302
A20900	Interest fees	26,777	17,369
A21200	Interest income	(1,557)	(798)
A22500	Loss on disposal of property, plant, and equipment	543	623
A23700	Loss for market price decline and obsolete and slow-moving inventories	11,439	-
A23800	Gains on reversal of market price decline and obsolete and slow-moving inventories	-	(12,462)
A24100	Foreign exchange losses (gains)	(10,123)	1,687
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	(90,119)	(69,944)
A31150	Accounts receivable	321,749	(200,735)
A31180	Other receivables	9,769	(1,772)
A31200	Inventories	68,804	(117,415)
A31230	Prepayments	2,302	2,317
A31240	Other current assets	226	796
A32130	Notes payable	(701)	(47,241)
A32150	Trade payables	(120,221)	121,253
A32180	Other payables	(6,909)	(21,595)
A32230	Other current liabilities	(1,679)	2,965
A33000	Cash generated from operations	370,306	(185,542)
A33100	Interest received	1,557	374
A33300	Interest paid	(25,594)	(15,642)
A33500	Income tax paid	(5,368)	(41,764)
AAAA	Net cash generated from (used in) operating activities	340,901	(242,574)
	CASH FLOW FROM INVESTING ACTIVITIES		
B00040	Acquisition of financial assets measured at amortized cost	$ -	($ 79,746)

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Code		2022	2021
B00050	Disposal of financial assets measured at amortized cost	16,900	77,634
B02700	Payments for property, plant, and equipment	(48,003)	(423,237)
B02800	Proceeds from disposal of property, plant, and equipment	1,602	91
B03700	Increase in refundable deposits	(120)	(872)
B03800	Decrease in refundable deposits	151	931
B04500	Acquisition of intangible assets	(4,826)	(2,641)
B07100	Increase in prepayments for equipment	(43,447)	(60,693)
BBBB	Net cash used in investing activities	(77,743)	(488,533)
	CASH FLOW FROM FINANCING ACTIVITIES		
C00100	Proceeds from short-term borrowings	6,796,580	6,410,580
C00200	Repayments of short-term borrowings	(7,031,361)	(5,915,942)
C00600	Net decrease in short-term notes and bills payable	(21,173)	(930)
C01600	Proceeds from long-term borrowings	-	280,000
C01700	Repayments of long-term borrowings	(56,500)	(64,000)
C04020	Payments of lease liabilities	(2,872)	-
C04500	Dividends paid to owners of the Company	-	(49,694)
CCCC	Net cash generated from (used in) financing activities	(315,326)	660,014
DDDD	Effects of exchange rate changes on cash	(3,658)	(7,251)
EEEE	Net decrease in cash for the year	(55,826)	(78,344)
E00100	CASH AT THE BEGINNING OF THE YEAR	228,045	306,389
E00200	CASH AT THE END OF THE YEAR	$ 172,219	$ 228,045

The accompanying notes are an integral part of the consolidated financial statements.

Chairman: Ho Wen-Chieh   Manager: Huang Chng-Tze   Chief Accountant: Chen Hsiang-Li

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
January 1 to December 31, 2022 and 2021
(In Thousands of New Taiwan Dollars and Foreign Currencies, Unless Stated Otherwise)

I. GENERAL INFORMATION

Evermore Chemical Industry Co., Ltd. (the "Company") was incorporated in 1989. The Company's shares were listed on the Taiwan Stock Exchange ("TWSE") in 2002 after being traded on the Taipei Exchange ("TPEx") since 2000.

The Company mainly engages in the manufacturing and selling of synthetic resin, synthetic chemistry, and investment related business operations.

The parent company of the Company is AICA Kogyo Company Limited (AICA) of Japan. As of December 31, 2022 and 2021, it held 50.1% of the Company's common stock.

II. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on March 14, 2023.

III. APPLICATION OF NEW, AMENDED, AND REVISED STANDARDS AND INTERPRETATIONS

(I) First time applying International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, or SIC Interpretations endorsed by the Financial Supervisory Commission (hereafter IFRSs)

The application of the revised FSC approved and issued effective IFRSs will not cause significant changes to the consolidated entity's accounting policies.

(II) IFRSs recognized by the FSC applicable in 2023

New, Revised or Amended Standards and Interpretations	Effective date of promulgation by International Accounting Standards Board (IASB)
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The application of this amendment will be postponed during the annual reporting period beginning after January 1, 2023.

Note 2: This amendment applies to changes in accounting estimates and changes in accounting policies that occur during the annual reporting period beginning after January 1, 2023.

Note 3: Except the deferred income tax recognized for the temporary differences related to lease and decommissioning obligations on January 1, 2022, the amendments shall apply to transactions occurring after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the consolidated entity assessed that there would be no material impact of the initial application of said standards and the amendments to interpretations on its financial position and results of operations.

(III) New IFRSs in issue by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	Unresolved
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	1-Jan-23
Amendments to IFRS 17	1-Jan-23
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	1-Jan-23
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

Note 1: Unless otherwise specified, all new/amended/modified standards and interpretations above shall take effect from the financial year that begins after the specified date.

Note 2: Seller and also Lessee shall retroactively apply the amendments to IFRS 16 to the sale and leaseback transactions executed after the date of the first-time application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the consolidated entity is continuously assessing the possible impact that the application of said standards and interpretations will have on the consolidated entity's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Statement of compliance

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

(II) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
3. Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the reporting period; and
3. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the reporting period, and

3. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

(IV) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. 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 upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the consolidated entity’s ownership interests in subsidiaries that do not result in the consolidated entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the consolidated entity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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 and attributed to the owners of the Company.

If the consolidated entity loses control over the subsidiary, a gain or loss is calculated as the difference between: (1) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The consolidated entity accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the consolidated entity directly disposed of the related assets or liabilities.

The investment retained in the former subsidiary is to be recognized initially at its fair value at the date when control is lost.

Refer to Note X and Table 5 and 6 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

(V) Business mergers

Business mergers are handled by the acquisition method. Acquisition-related costs are included as expenses in the year in which the cost is incurred and the service is obtained.

Goodwill is measured by the total amount of the fair value of the transfer consideration and the fair value of the acquirer's previously held equity at the acquisition date over the net amount of identifiable assets acquired and liabilities assumed on the acquisition date.

The acquiree has the current ownership interest and is entitled to pro rata non-controlling interest in the acquiree’s net assets at the time of liquidation, measured by fair value. Other non-controlling interests are measured at fair value.

If the measurement of identifiable assets acquired and liabilities assumed due to a business combination has not been completed, the balance sheet date is recognized as a provisional amount. During the measurement period, retrospective adjustments are made or additional assets or liabilities are recognized to reflect the obtained new information about the facts and circumstances that existed on the acquisition date.

(VI) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity’s functional currency (i.e. 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 denominated in foreign currencies are retranslated at the closing rates. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are recognized in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the Group entities are translated into the presentation currency - New Taiwan dollars. Income and expense items are translated in accordance with the current average exchange rates and the exchange differences are booked in the other comprehensive profit or loss.

(VII) Inventories

Inventories consist of raw materials, finished goods, and merchandise. Inventories are stated at the lower cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost.

(VIII) Investment related companies

An associate is an entity over which the consolidated entity has significant influence and which is neither a subsidiary nor an interest in a joint venture.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the consolidated entity's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

Any excess of the cost of acquisition over the consolidated entity's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the consolidated entity's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When impairment loss is evaluated, the entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increase.

When a group entity transacts with its associates, profits and losses on these transactions are recognized in the consolidated financial statements only to the extent of interests in the associate that are not related to the consolidated entity.

(IX) Property, plant and equipment

Property, plant, and equipment are stated at cost minus accumulated depreciation.

Property, plant, and equipment in the course of construction are carried at cost. The assets were measured at the lower of the costs and net realizable value to the extent of being ready for use. The proceeds from sale and costs thereof were classified into the profits and losses. Such properties are classified to the appropriate categories of property, plant, and equipment when completed and ready for intended use and depreciated accordingly.

Depreciation of property, plant, and equipment is recognized using the straight-line method. Each significant part is depreciated separately. 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 estimate accounted for on a prospective basis.

On derecognition of an item of property, plant, and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(X) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use

Investment property is initially measured at cost (including transaction costs), and the subsequent measurement is the cost minus accumulated depreciation. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds, and the carrying amount of the asset is included in profit or loss.

(XI) Goodwill

The goodwill obtained from a business combination is based on the amount of goodwill recognized on the acquisition date as the cost. Subsequent measurement is based on the cost minus the accumulated impairment loss.

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit or group of cash-generating units that the consolidated entity expects to benefit from the synergy of the merger (hereafter abbreviated to "cash-generating unit").

The cash-generating unit of the assessed goodwill conducts an impairment test of the unit every year (and when there are signs that the unit may have been impaired) by comparing the carrying value of the unit containing the goodwill and its recoverable amount. If the goodwill allocated to the cash-generating unit is obtained from a business combination in the current year, then the unit shall conduct an impairment test before the end of the current year. If the recoverable amount of the cash-generating unit of the assessed goodwill is lower than its carrying value, the impairment losses are to first reduce the carrying value of the cash-generating unit’s assessed goodwill, and then reduce the carrying value of each asset in proportion to the carrying value of the other assets in the unit. Any impairment losses are directly recognized as losses for the current year. Goodwill impairment losses shall not be reversed in subsequent periods.

When disposing of a certain operation within the cash-generating unit of the assessed goodwill, the amount of goodwill related to the dispositioned operation is included in the carrying value of the operation to determine the disposition profit and loss.

(XII) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost minus accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

(XIII) Impairment of property, plant and equipment, right of use assets, investment properties and intangible assets

The consolidated entity evaluates on each balance sheet date whether there are any signs of possible impairment of property, plant and equipment, right of use assets, and intangible assets 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 consolidated entity 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 the individual cash-generating units; 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. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization and depreciation) had no impairment loss been recognized in the previous year. A reversal of an impairment loss is recognized in profit or loss.

(XIV) Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

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

1. Measurement Category

Financial assets held by the merged company are financial assets measured at amortized cost.

Financial assets that meet the following conditions are subsequently measured at amortized cost:

(1) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flow; and

(2) The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, notes and trade receivables at amortized cost, other receivables, other financial asset and refundable deposits) are measured at amortized cost, which equals to the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Credit-impaired financial assets refer to when there is a significant financial difficulty or a breach of contract of the issuer or debtor, the debtor will enter bankruptcy or other financial reorganization, or the disappearance of an active market because the financial instruments are no longer publicly traded.

2. Impairment of financial assets

The consolidated entity recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The consolidated entity always recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

To manage the internal credit risk, the Group determined that the following situations represent a default of financial assets without considering the collateral information:

(1) Internal or external information indicates that debt settlement is no longer possible for the debtor.

(2) Past due more than 90 days, unless there is reasonable evidence as the appropriate reason for the delay.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3. Derecognition of financial assets

The consolidated entity derecognizes a financial asset only when the contractual rights to the cash flow from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

For derecognition of financial assets measured at amortized cost, any difference between the carrying amount and consideration is recognized as gains/losses.

Financial liabilities

1. Subsequent measurement

The financial liabilities are measured at amortized cost using the effective interest method.

2. Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(XV) Revenue recognition

The consolidated entity identifies contracts with customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date the consolidated entity transfers a promised good or service to a customer and the date the customer pays for that good or service is one year or less, the consolidated entity does not adjust the promised amount of consideration for the effects of a significant financing component.

For the revenue from sale of goods, when the products are delivered, shipped or provided to the destination designated by the customers and the customers take over the products, the Company recognizes the revenue and receivable accounts at the same time.

(XVI) Leasing

The consolidated entity evaluates whether a contract meets the criteria of (or includes arrangements characterized as) lease on the day of establishment.

1. The consolidated company as the lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under the operating lease, the rent less the lease incentives were recognized as income based on the straight-line method in the duration of the leasehold. The original direct cost generated from operating leases plus the carrying amount of underlying assets was stated as expenses on a straight-line basis over the lease term.

2. The consolidated company as the lessee

The consolidated entity recognizes right-of-use assets and lease liabilities from the lease start date, except for exempted low-value and short-term leases where expenses are recognized on a straight-line basis over the lease tenor.

Right-of-use assets are measured at cost at initiation (including the initial amount of lease liability, lease payments made before the lease start date, and the initial direct cost), and subsequently at cost less accumulated depreciation and accumulated impairment loss with adjustments made to the remeasurement account for lease liability. Right-of-use assets are presented individually on the balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the lease start date until the end of useful life or upon expiry of the lease tenor, whichever is earlier.

The lease liabilities are measured based on the present value of the lease payment (including fixed payment). If the implied interest rate of a lease is easy to be confirmed, the rate is applied to discount the lease payment. If the rate is not easy to be confirmed, the lessee's incremental borrowing rate of interest will be applied.

Subsequently, the lease liabilities are measured at the amortized cost under the effective interest method, and the interest expense are allocated during the lease periods. If there is any change in the lease period the consolidated company shall re-measure the lease liabilities, and relatively adjusts the right-of-use assets, provided that if the carrying amount of the right-of-use asset has decreased to zero, the remaining re-measured amount is recognized in into the income. For the leasehold modification not treated as the separate leasehold, the lease liability remeasurement resulting from reduction of the scope of lease refers to reduction of the right-of-use assets, and profit or loss from termination of the lease, in whole or in part, is recognized. The lease liability remeasurement resulting from other modifications refers to adjustment of the right-of-use assets. Lease liabilities are presented individually on the balance sheet.

(XVII) Borrowing cost

All borrowing costs are stated as income when they are incurred.

(XVIII) Government subsidies

Government subsidies are recognized only when it is reasonably certain that the consolidated entity will comply with the conditions attached to the government subsidies and will receive the subsidies.

Government subsidies related to income are recognized in other revenues on a systematic basis during the period when the related costs that they intend to compensate are recognized as expenses by the consolidated company.

If government subsidies are used to offset expenses or losses incurred, or used for the purpose of providing immediate financial support to the consolidated entity and there are no future related costs, they are recognized in profit and loss during the period when they can be collected.

(XIX) Employee benefits

1. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

(XX) Taxation

Income tax expense is the sum of the current income tax and deferred income tax.

1. Current income tax

The consolidated entity determines current income (loss) in accordance with the laws and regulations established by each income tax reporting jurisdiction, based on the calculation of income tax payable (recoverable).

Income tax on undistributed surplus earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China and recognized in the annual resolution of the shareholders' meeting.

The adjustment to prior period income tax payable is booked as current income tax.

2. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax liability is generally recognized for all taxable temporary differences, while deferred tax asset is recognized is recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the consolidated entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income taxes

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive profit or loss or directly included in the equity are recognized in the other comprehensive profit or loss or directly included in the equity.

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the consolidated entity's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Major sources of estimation and assumption uncertainty - Provision for impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The consolidated entity uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the consolidated entity's historical experience, and existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

VI. Cash

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	$ 1,869	$ 1,356
Checking accounts and demand deposits	170,350	226,689
	$ 172,219	$ 228,045

VII. Financial assets measured at amortized cost - current

	December 31, 2022	December 31, 2021
Restricted bank demand deposits	$ 42,929	$ 55,425
Bank time deposits with original maturities of more than 3 months	16,855	15,340
	$ 59,784	$ 70,765
Rates of interest per annum (%)		
Restricted bank demand deposits	1.05	0.03
Bank time deposits with original maturities of more than 3 months	1.33-3.60	0.03

For the information about pledge of the financial assets measured at amortized cost, please refer to Note XXIV.

The Company has gained approval from the National Taxation Bureau of the Ministry of Finance, in accordance with the Regulations on Investment from Repatriated Offshore Funds and has put forward an investment plan to the Ministry of Economic Affairs. In accordance with the Regulations, the funds from the restricted bank demand deposits are limited to approved plans and cannot be used for other purposes.

VIII. Notes receivable and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable		
Notes receivable - operating	$ 278,812	$ 187,325
Less: Loss allowance	(3)	-
	$ 278,809	$ 187,325
Trade receivables - unrelated parties		
Measured by cost after amortization		
Total carrying amount	$ 548,566	$ 868,614
Less: Loss allowance	(135,887)	(122,789)
	$ 412,679	$ 745,825
Accounts receivables - related parties		
Measured by cost after amortization		
Total carrying amount	$ 37,284	$ 24,403
Less: Loss allowance	-	-
	$ 37,284	$ 24,403

(I) Notes receivable

The aging of notes receivable was as follows:

	December 31, 2022	December 31, 2021
Not past due	$ 278,812	$ 187,325
Past due	-	-
Total	$ 278,812	$ 187,325

The above aging schedule was based on the number of past due days from the invoice date.

(II) Accounts receivable

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the consolidated entity reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. Accordingly, the consolidated company’s management believes that the consolidated company’s credit risk is significantly reduced.

The consolidated entity recognizes loss provisions on accounts receivable based on expected credit losses over the duration. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the consolidated entity's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the consolidated entity's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Loss provisions on accounts receivable recognized by the consolidated entity are as follows:

	Not Past Due	Less than 30 Days	31 to 90 Days	Over 91 Days	Total
December 31, 2022					
Expected credit loss rate (%)	0-1	1-3	5-100	100	
Total carrying amount	$ 428,844	$ 23,065	$ 690	$ 133,251	$ 585,850
Allowance for loss (Expected credit loss during the period)	(1,903)	(657)	(76)	(133,251)	(135,887)
Amortized cost	$ 426,941	$ 22,408	$ 614	$ -	$ 449,963
December 31, 2021					
Expected credit loss rate (%)	0-1	0-20	5-50	100	
Total carrying amount	$ 628,747	$ 33,235	$ 125,123	$ 105,912	$ 893,017
Allowance for loss (Expected credit loss during the period)	(5,601)	(822)	(19,001)	(97,365)	(122,789)
Amortized cost	$ 623,146	$ 32,413	$ 106,122	$ 8,547	$ 770,228

The accounts receivable already overdue for more than 91 days, NT$8,547 thousand, on December 31, 2021 have already been collected subsequently. Therefore, no allowance for loss was provided.

The movements of the loss allowance of notes and accounts receivables are as follows:

	2022	2021
Balance at Beginning of Year	$ 122,789	$ 92,537
Provision of impairment loss for the current year	10,959	31,302
Actual write-offs for the current year	(589)	-
Foreign exchange gains and losses	2,731	(1,050)
Balance at End of Year	$ 135,890	$ 122,789

IX. Inventories

	December 31, 2022	December 31, 2021
Raw materials and supplies	$ 281,180	$ 361,862
Finished goods	293,564	325,059
Merchandise	97,762	59,309
Inventories in transit	8,405	6,341
	$ 680,911	$ 752,571

The nature of the cost of goods sold was as follows:

	2022	2021
Cost of inventories sold	$ 2,514,934	$ 2,744,580
Inventory devaluation (or reversal ns)	11,439	(12,462)
Unallocated production overhead	36,560	32,918
Revenue from sale of scraps	(1,707)	(1,769)
Others	9,951	4,646
	$ 2,571,177	$ 2,767,913

A rebound in net realizable value of inventories was caused by increases in the sales prices of inventory in specific markets.

X. SUBSIDIARIES

Subsidiary included in the consolidated financial statements:

		% of Ownership	
Investor	Investee	December 31, 2022	December 31, 2021
The Company	NEOLITE INVESTMENTS LIMITED (NEOLITE)	100	100
	GIANT STAR TRADING CO., LTD (Giant Star Trading Co.)	100	100
	CHEM-MAT TECHNOLOGIES CO., LTD (CHEM-MAT)	100	100
	U-BEST VIETNAM POLYMER INDUSTRY COMPANY LIMITED（U-BEST）	100	100
	SUCCESS INVESTMENTS LIMITED（SUCCESS）	100	100
	TOPWELL ELASTIC TECHNOLOGY CO., LTD (TOPWELL)	100	100
Giant Star Trading Co.	NEOTOP INVESTMENTS LIMITED（NEOTOP）	100	100
	NEOWIN INVESTMENTS LIMITED（NEOWIN）	-	100
CHEM-MAT	LEADERSHIP (SHANGHAI) CO., LTD (LEADERSHIP)	100	-
NEOTOP	TOPCO (SHANGHAI) CO., LTD (TOPCO)	100	100
NEOWIN	LEADERSHIP SHANGHAI	-	100
NEOLITE	LIBERTY BELL INVESTMENTS LTD. (LIBERTY BELL)	100	100
LIBERTY BELL	BAOJIAN CHEMICAL CO.,LTD (BAOJIAN)	100	100
SUCCESS	VIETNAM SUNYAD TECHNOLOGY LIMITED（SUNYAD）	100	100

Refer to Tables 5 and 6 following the notes to consolidated financial statements for the information on subsidiaries' places of incorporation and principal places of business.

NEOWIN transferred 100% of the equity held by it in LEADERSHIP to CHEM-MAT at the price of US$246 thousand in January 2022. Meanwhile, the Company resolved to liquidate NEOWI in October 2022. The liquidation was completed in 2022.

The consolidated company increase capital in SUNYAD by US$1,000 thousand via SUCCESS in July 2022.

The profit and loss of subsidiaries that adopt the equity method and the share of other comprehensive income are recognized based on the financial reports of each subsidiary having been audited by accountants during the same period.

XI. PROPERTY, PLANT, AND EQUIPMENT

2022	Land	Building	Machinery and equipment	Transportation equipment	Other equipment	Total
Cost						
Balance at Beginning of Year	$ 730,988	$ 803,440	$ 1,216,272	$ 26,949	$ 318,333	$ 3,095,982
Add	-	3,088	23,329	2,257	22,181	50,855
Disposal	-	-	(40,959)	(1,103)	(618)	(42,680)
Reclassified	-	6,428	45,796	-	6,184	58,408
Effects of Foreign Currency Exchange Differences	1,658	13,063	9,466	320	1,646	26,153
Balance at End of Year	$ 732,646	$ 826,019	$ 1,253,904	$ 28,423	$ 347,726	$ 3,188,718
Accumulated depreciation						
Balance at Beginning of Year	-	$ 452,663	$ 1,042,370	$ 20,232	$ 228,574	1,743,839
Add	-	27,430	43,237	2,450	22,021	95,138
Disposal	-	-	(38,864)	(1,103)	(568)	(40,535)
Effects of Foreign Currency Exchange Differences	-	7,024	8,691	260	1,255	17,230
Balance at End of Year	$ -	$ 487,117	$ 1,055,434	$ 21,839	$ 251,282	$ 1,815,672
Net end-of-year amount	$ 732,646	$ 338,902	$ 198,470	$ 6,584	$ 96,444	$ 1,373,046

2021	Land	Building	Machinery and equipment	Transportation equipment	Other equipment	Total
Cost						
Balance at Beginning of Year	$ 418,995	$ 737,084	$ 1,243,387	$ 24,220	$ 249,065	$ 2,672,751
Add	315,368	51,989	19,240	884	31,961	419,442
Disposal	-	-	(29,422)	(298)	(4,047)	(33,767)
Reclassified	-	20,306	(12,799)	2,538	42,060	52,105
Effects of Foreign Currency Exchange Differences	(3,375)	(5,939)	(4,134)	(395)	(706)	(14,549)
Balance at End of Year	$ 730,988	$ 803,440	$ 1,216,272	$ 26,949	$ 318,333	$ 3,095,982
Accumulated depreciation						
Balance at Beginning of Year	$ -	$ 430,139	$ 1,055,905	$ 18,073	$ 186,120	$ 1,690,237
Add	-	25,965	46,618	2,634	19,573	94,790
Disposal	-	-	(28,890)	(179)	(3,984)	(33,0533)
Reclassified	-	-	(27,477)	-	27,477	-
Effects of Foreign Currency Exchange Differences	-	(3,441)	(3,786)	(296)	(612)	(8,135)
Balance at End of Year	$ -	$ 452,663	$ 1,042,370	$ 20,232	$ 228,574	$ 1,743,839
Net end-of-year amount	$ 730,988	$ 350,777	$ 173,902	$ 6,717	$ 89,759	$ 1,352,143

Depreciation expenses are provided on a straight-line basis over useful years shown as follows:

Building	
Main building of the factory premises	25 to 50 years
Additional project	2-50 years
Others	5 years
Machinery and equipment	2-10 years
Transportation equipment	5 years
Other equipment	
Office equipment	2-10 years
Landscape gardening	15 years
Others	2-20 years

For the amounts of pledged collateral used as property, plant and equipment loan guarantees, please refer to Note XXIV.

XII. Lease arrangements

(I) Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amount of right-of-use assets		
Land	$ 168,702	$ 160,550
Building	37,345	-
	$ 206,047	$ 160,550

	2022	2021
Increases in right of use assets	$ 40,373	$ -
Depreciation expenses of right-of-use assets		
Land	$ 5,917	$ 5,626
Building	3,028	-
	$ 8,945	$ 5,626

(II) Lease liabilities

	December 31, 2022	December 31, 2021
Carrying amount of lease liabilities		
Current	$ 3,866	$ -
Non-current asset	$ 33,635	$ -

The discount rate of lease liabilities (%) is stated as following:

	December 31, 2022	December 31, 2021
Building	1.14	-

(III) Major leasing activities and terms

It is the consolidated entity's land use rights in mainland China and in Vietnam respectively recognized as current year expenses in 1957 and as the average from 1959 to 1960. The land use is for the construction of production plants, offices and staff dormitories. The Company’s building use right in Nantou City, Taiwan, effective for 10 years. The building is used as factory premises and warehouse.

(IV) Other lease information

	2022	2021
Short-term lease expenses	$ 4,899	$ 5,023
Low-value asset lease expenses	$ 380	$ 426
Total cash outflow from rent	$ 8,482	$ 5,449

XIII. Goodwill

	2022	2021
Balance at Beginning of Year	$ 40,715	$ 44,960
Effects of Foreign Currency Exchange Differences	2,993	(4,245)
Balance at End of Year	$ 43,708	$ 40,715

The consolidated entity acquired U-BEST, SUCCESS and TOPWELL in 2020 respectively. The consideration paid includes the expected merger synergy. Because the transfer consideration exceeds the fair value of the acquired identifiable assets and liabilities, it is recognized as goodwill on the acquisition date.

XIV. Loans

(I) Short-term bank borrowings

	December 31, 2022	December 31, 2021
Credit loans	$ 529,500	$ 568,440
Secured borrowings	370,201	544,482
Letter of credit loans	9,852	26,123
	$ 909,553	$ 1,139,045
Rates of interest per annum (%)		
Credit loans	1.66-2.44	0.44-1.23
Secured borrowings	1.73-3.90	1.00-4.05
Letter of credit loans	1.92-6.72	1.15-1.39

Mortgage loans are secured by the mortgages of the consolidated company's own land, buildings, and other financial assets. Please refer to Note XXIV.

(II) Short-term bills payable

	December 31, 2022	December 31, 2021
Commercial paper	$ 110,000	$ 130,000
Less: Unamortized discounts on bills payable	(140)	(74)
	$ 109,860	$ 129,926
Interest Rates (%)	1.45-1.55	0.67-0.74

(III) Long-term bank borrowings

	December 31, 2022	December 31, 2021
Credit loans	$ 280,000	$ 280,000
Secured borrowings	150,617	207,117
	430,617	487,117
Less: Current portion	(54,000)	(56,500)
Long-term borrowings	$ 376,617	$ 430,617
Rates of interest per annum (%)		
Credit loans	1.05	1.05
Secured borrowings	1.81-1.91	1.22-1.26

Mortgage loans are secured by the mortgages of the consolidated entity's own land and buildings. Please refer to Note XXIV.

XV. Other payables

	December 31, 2022	December 31, 2021
Payable for salaries and bonuses	$ 47,061	$ 38,412
Payable for commissions and professional service fees	17,955	24,477
Payable for freight	5,016	7,661
Payable for purchase of equipment	4,595	1,743
Payable for employee's compensation and remuneration of directors and supervisors	4,050	1,089
Others	29,508	37,134
	$ 108,185	$ 110,516

XVI. RETIREMENT BENEFIT PLANS

The Company, CHEM-MAT and GIANT STAR of the consolidated entity adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Subsidiaries in China participate in social insurance schemes managed and coordinated by local government agencies. The plan is a system of determining the payment, and paying the pension insurance premium to the government in exchange for managing the social insurance plan, which is included in the current expense when the offer is made.

The employees of the consolidated entity's subsidiaries in Vietnam and Thailand should be identified as the members of the retirement benefit plans operated by the governments of said countries respectively. Each of the subsidiaries shall allocate a specific percentage of the wage costs, in order to raise the fund for the retirement benefit plan. The obligation to be borne by the consolidated entity under the retirement benefit plan operated by the government is limited to allocation of the specific fund.

Other subsidiaries and sub-subsidiaries that are not registered in accordance with the laws of the Republic of China are not required to establish pension regulations, nor provide pensions in accordance with local laws and regulations.

XVII. EQUITY

(I) Share capital from common stock

	December 31, 2022	December 31, 2021
Authorized shares (thousand shares)	120,000	120,000
Authorized capital stock	$ 1,200,000	$ 1,200,000
Shares issued and received in full (In Thousands)	99,388	99,388
Issued share capital	$ 993,880	$ 993,880

(II) Capital surplus

	December 31, 2022	December 31, 2021
Issuance of common shares	$ 70,860	$ 70,860
Treasury share transactions	27,157	27,157
	$ 98,017	$ 98,017

The capital surplus arising from shares issued in excess of par (including share premium from issuance of ordinary shares and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year). However, capitalization of this reserve is capped at a certain percentage of the Company's paid-up capital each year.

(III) Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a Statutory reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The dividend policy considers the future operating expansion and capital expenditures meet the best capital budget and diluted earnings per share, and the annual allocated surplus accounts for at least 50% of the available surplus. Distribution of profits may also be made by way of cash dividend provided; however, the ratio of share dividend shall exceed 25% of total distribution.

An appropriation of earnings to a Statutory reserve shall be made until the Statutory reserve equals the Company's paid-in capital. The Statutory reserve may be used to offset deficit. If the Company has no deficit and the Statutory reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company held its Annual General Meetings in June 2022 and August 2021 and passed resolutions for its 2021 and 2020 earnings distributions as follows:

	Appropriation of Earnings		Dividend per share (NTD)	
	2021	2020	2021	2020
Statutory reserves	$ 1,006	$ 7,401		
Appropriation (reversal) of special reserve	12,689	(9,986)		
Cash dividend	-	49,694	$ -	$ 0.5

In March 2023, the Company's Board of Directors proposed the 2022 earnings distribution plan as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Statutory reserves	$ 3,521	
Reversal special reserve	(24,313)	
Cash dividend	49,694	$ 0.5

The earnings distribution plan for 2022 has yet to be resolved at the Annual General Meeting that is expected to be held in June 2023.

XVIII. NET PROFIT

(I) Depreciation and amortization

	2022	2021
Summarization of depreciation expenses by function		
Operating costs	$ 66,746	$ 63,373
Operating expenses	37,337	37,130
	$ 104,083	$ 100,503
Summarization of amortization expenses by function		
Operating costs	$ 346	$ 145
Operating expenses	1,396	1,052
	$ 1,742	$ 1,197

(II) Employee benefit expenses

	2022	2021
Short-term employee benefits	$ 254,407	$ 230,144
Retirement benefits		
Defined contribution plans	13,434	12,407
Other employee benefits	21,084	17,053
Total employee benefit expenses	$ 288,925	$ 259,604
Summarization by function		
Operating costs	$ 134,817	$ 110,938
Operating expenses	154,108	148,666
	$ 288,925	$ 259,604

(III) Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of 3% to 5% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The remuneration to employees and directors/supervisors estimated for 2022 and 2021 was resolved by the Board of Directors in 2023 and in March 2022 as follows:

	2022	2021
Remuneration to employees	$ 2,353	$ 203
Remuneration of directors and supervisors	941	81

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are to be recorded as a change in the accounting estimate.

There are no differences between the actual allotment amounts of employee remuneration and directors and supervisors' remuneration for 2021 and 2020 and the amounts recognized in the consolidated financial statements for 2021 and 2020.

For information about the remuneration of employees and the remuneration of directors and supervisors as decided by the Board of Directors of the company, please go to the Market Observation Post System of the Taiwan Stock Exchange for inquiries.

XIX TAXES

(I) Income tax recognized in profit or loss

The main components of income tax expenses (benefits) are as follows:

	2022	2021
Current income tax		
In respect of the current year	$ 10,658	$ 12,019
Separate taxation on repatriation of overseas funds	-	5,523
Tax refund on repatriation of overseas funds	(2,293)	-
Adjustments for prior years	259	(158)
	8,624	17,384
Deferred tax		
In respect of the current year	(612)	(21,033)
Income tax expense recognized in profit or loss (Profit)	$ 8,012	($ 3,649)

The accounting income and income tax expenses (gains) are adjusted as follows:

	2022	2021
Income tax expense calculated at the statutory rate	$ 8,644	$ 1,282
Nondeductible expenses in determining taxable income	7,697	6,168
Not recognized income in determining taxable income	(5,727)	(15,154)
Effect of different tax rate of group entities operating in other jurisdictions	(568)	(1,310)
Separate taxation on repatriation of overseas funds	-	5,523
Tax refund on repatriation of overseas funds	(2,293)	-
Adjustments for prior years' tax	259	(158)
Income tax expense recognized in profit or loss (Profit)	$ 8,012	($ 3,649)

(II) Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

2022	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at End of Year
Deferred tax assets				
Temporary differences				
Inventory write-downs	$ 3,819	($ 654)	$ -	$ 3,165
Exchange differences on translating the financial statements of foreign operations	7,658	-	(4,127)	3,531
Investment accounted for using the equity method	12,369	(3,128)	-	9,241
Allowance for losses	5,513	(514)	-	4,999
Others	2,475	1,092	-	3,567
	$ 31,834	($ 3,204)	($ 4,127)	$ 24,503
Deferred tax liabilities				
Temporary differences				
Investment accounted for using the equity method	$ 42,308	($ 5,070)	$ -	$ 37,238
Exchange differences on translating the financial statements of foreign operations	2,738	-	2,891	5,629
Others	27	1,254	-	1,281
	$ 45,073	($ 3,816)	$ 2,891	$ 44,148
2021				
Deferred tax assets				
Temporary differences				
Inventory write-downs	$ 4,686	($ 867)	$ -	$ 3,819
Exchange differences on translating the financial statements of foreign operations	5,224	-	2,434	7,658
Investment accounted for using the equity method	9,907	2,462	-	12,369
Allowance for losses	5,355	158	-	5,513
Others	3,694	(1,219)	-	2,475
	$ 28,866	$ 534	$ 2,434	$ 31,834
Deferred tax liabilities				
Temporary differences				
Investment accounted for using the equity method	$ 62,624	($ 20,316)	$ -	$ 42,308
Exchange differences on translating the financial statements of foreign operations	3,476	-	(738)	2,738
Others	210	(183)	-	27
	$ 66,310	($ 20,499)	($ 738)	$ 45,073

(III) Income tax assessments

Income tax returns of the Company and Chen-Mat through 2019, and Giant Star through 2020 have been examined and cleared by the tax authorities.

XX. EARNINGS PER SHARE

Unit: NT$ per share

	2022	2021
Basic earnings per share	$ 0.35	$ 0.10
Diluted earnings per share	$ 0.35	$ 0.10

The net profit and weighted average number of common stocks used to calculate the Earnings per Share are stated as following:

Net income

	2022	2021
The net profit used to calculate the Earnings per Share	$ 35,210	$ 10,057
The net profit used to calculate the diluted Earnings per Share	$ 35,210	$ 10,057

Quantity of shares

Unit: Thousand Shares

	2022	2021
The weighted average number of common stocks used to calculate the Earnings per Share	99,388	99,388
Effect of potentially dilutive ordinary shares:		
Remuneration to employees	158	56
The weighted average number of common stocks used to calculate the diluted Earnings per Share	99,546	99,444

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares should is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

XXI. CAPITAL MANAGEMENT

The consolidated entity manages their capital to ensure that entities in the consolidated entity will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the consolidated company consists of net debt (borrowings offset by cash) and equity attributable to owners of the consolidated company (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the consolidated entity regularly review the capital structure. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

XXII. FINANCIAL INSTRUMENTS

(I) Fair value of financial instruments

1. Financial instruments carried at fair value

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition. The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable as follows:

(1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

(2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(3) Level 3 inputs are unobservable inputs for the asset or liability

In 2022 and 2021, there will be no transfer of fair value measurement between Level 1 and Level 2.

2. Financial instruments not carried at fair value

The fair value of financial assets and financial liabilities is determined in the following:

(1) The fair value of short-term financial instruments is estimated by their carrying amount on the balance sheet for the carrying amount at the end of reporting period because the maturity date is close to the reporting date or the payment price is similar to the carrying amount. The carrying amount should be a reasonable basis for the estimated fair value. This method is applied to cash, financial assets measured at amortized cost-current, notes and accounts receivable, other receivables/payables, refundable deposits, short-term bank loans, short-term notes and bills payable and refundable deposits.

(2) The fair value of long-term borrowings (including current portion) is determined using the discounted value of future cash flow. If the Company's long-term borrowings rate is a floating rate, the carrying amount is equal to the fair value.

(II) Categories of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets at amortized cost (Note 1)	$ 963,979	$ 1,269,251
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	1,789,276	2,218,761

Note 1: Balances include financial assets measured at amortized cost including cash, financial assets measured at amortized cost-current, notes and accounts receivable, other receivables, and refundable deposit, etc.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, trade payables, other payables, and long-term borrowings (including current portion).

(III) Financial risk management objectives and policies

The consolidated entity's major financial instruments include trade receivables, trade payables, and borrowings. The consolidated entity’s corporate treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the consolidated entity through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk, and liquidity risk.

1. Market risk

The consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the consolidated entity's exposure to market risks or the manner in which these risks are managed and measured. The major financial risks are as follows:

(1) Foreign currency risk

The consolidated entity has foreign currency sales and purchases, which exposed the consolidated entity to foreign currency risk.

The carrying amounts of the consolidated company's non-functional foreign currency denominated monetary assets and monetary liabilities (including non-functional foreign currency denominated monetary items written-off on the consolidated financial statements) at the end of the reporting period are set out in Note XXVI.

Sensitivity analysis

The consolidated entity's sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period. A positive number below indicates an increase in post-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on the net profit after tax and the balances below would be negative.

Currency	2022	2021
NTD:USD	$ 2,127	$ 2,729
CNY:USD	980	1,148
NTD:CNY	277	205
THB to USD	(611)	(438)

The sensitivity rate used by the Group when reporting foreign currency risk internally to key management personnel is 1%, which represents management's assessment of the reasonably possible change in foreign exchange rates.

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

(2) Interest rate risk

The carrying amount of the consolidated entity's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk		
Financial assets	$ 16,885	$ 15,340
Financial liabilities	831,441	1,097,526
Cash flow interest rate risk		
Financial assets	213,219	274,705
Financial liabilities	656,090	658,562

Sensitivity analysis

For financial assets and liabilities of the consolidated company with floating interest rates, when interest rates change by 0.25%, and other conditions remain unchanged, the consolidated company's net profit before tax for 2022 and 20219 would change by NT$1,107 thousand and NT$961 thousand, respectively.

2. Credit risk

The consolidated entity's transactions are targeted at reputable financial and securities institutions, and it also transacts with a number of financial institutions to spread the risks, so the probability of default from contractual counterparty is very low; even if the other party defaults, the consolidated entity will not suffer significant loss.

The Group is required to go through the credit confirmation procedure only after it has dealt with the approved third party, and the policy of the Group is to conduct credit transactions with the customer, and to regularly assess the possibility of recovering the receivables while providing appropriate allowances for doubtful debts, so the Group doesn't expect the possibility of major losses.

3. Liquidity risk

The consolidated entity has built an appropriate liquidity risk management framework for the consolidated entity's short, medium and long-term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining sufficient reserve or banking facilities, obtaining the loan commitment, collecting debts proactively, and continuously monitoring forecast and actual cash flow as well as the maturity profiles of financial assets and liabilities. As of December 31, 2022 and 2021, the consolidated company's unused bank financing lines were NT$848,827 thousand and NT$872,677 thousand respectively.

Liquidity and interest rate risk tables

The following table details the consolidated entity's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flow of financial liabilities from the earliest date on which the consolidated entity can be required to pay.

To the extent that interest flows are at floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

Non-derivative financial liabilities	Less Than 1 Year	1~5 years	5~10 years
December 31, 2022			
Non-interest bearing liabilities	$ 338,805	$ -	$ -
Lease liabilities	4,270	17,078	18,146
Variable interest rate liabilities	559,473	96,617	-
Fixed interest rate liabilities	513,940	280,000	-
	$ 1,416,488	$ 393,695	$ 18,146

Non-derivative financial liabilities	Less Than 1 Year	1~5 years	5~10 years
December 31, 2021			
Non-interest bearing liabilities	$ 462,239	$ -	$ -
Variable interest rate liabilities	507,945	150,617	-
Fixed interest rate liabilities	817,526	280,000	-
	$ 1,787,710	$ 430,617	$ -

XXIII. TRANSACTIONS WITH RELATED PARTIES

Transactions, account balances, income and expense between consolidated entities have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, relationship and transactions of the consolidated entity with other related parties are disclosed below:

(I) Related party name and category

Name of related party	Related Party Category
AICA	The Company’s parent
PT. PT. AICA INDRIA (PT. AICA)	Fellow subsidiary
AICA NEW ZEALAND Ltd. （AICA NEW ZEALAND）	Fellow subsidiary
Shenyang AICA-HOPE Kogyo Co., Ltd.	Fellow subsidiary
Dynea (Guangdong) Co., Ltd. (Dynea)	Fellow subsidiary
AICA Chemicals (M) Sdn. Bhd. （AICA Malaysia）	Fellow subsidiary
AICA Bangkok Co., Ltd. （AICA Thailand）	Fellow subsidiary
Aica Dongnai Co., Ltd. （AICA Dongnai）	Fellow subsidiary
Pou Chen Corporation and its subsidiaries	Other related parties (affiliated companies of the company's corporate directors)
Yue Yuen Industrial (Holdings) Limited and its subsidiaries	Other related parties (affiliated companies of the company's corporate directors)

(II) Sales of goods

Accounts	Related Party Category/Name	2022	2021
Sales	Other related parties	$ 186,561	$ 109,192
	Parent company	119,681	99,570
	Fellow subsidiary	11,655	5,926
		$ 317,897	$ 214,688
Other revenue	Parent company	$ 979	$ 746

The sales transactions of the consolidated entity to related parties are quoted based on the differences between the products and the acceptance of the market, and the credit period is from 60 days to 180 days.

Accounts	Related Party Category/Name	2022	2021
Purchases of goods	Parent company	$ 7,938	$ 7,490

The purchase price and payment term between the consolidated entity and related parties were similar to those for third parties.

The following balances of trade receivables from related parties were outstanding at the end of the reporting period:

Accounts	Related Party Category/Name	December 31, 2022	December 31, 2021
Net trade receivables	Other related parties	$ 27,619	$ 15,055
	Parent company	7,321	9,141
	Fellow subsidiary	2,344	207
		$ 37,284	$ 24,403

The outstanding trade receivables from related parties are unsecured.

The following balances of trade payables from related parties were outstanding at the end of the reporting period:

Accounts	Related Party Category/Name	December 31, 2022	December 31, 2021
Trade payables	Parent company	$ 1,927	$ 1,234
Other payables	Other related parties	$ 149	$ 182

(III) Payables to related parties

The following balances of trade payables from related parties were outstanding at the end of the reporting period.

	2022	2021
Short-term employee benefits	$ 11,447	$ 9,784
Retirement benefits	243	220
	$ 11,690	$ 10,004

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

XXIV. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31, 2022	December 31, 2021
Property, plant and equipment	$ 502,448	$ 503,577
Disposal of financial assets measured at amortized cost -current	16,855	15,340
	$ 519,303	$ 518,917

XXV. Significant contingent liabilities and unrecognized contract commitments

The consolidated company has the following major commitments on the balance sheet date:

(I) As of December 31, 2022 and 2021, the outstanding balances of letters of credit that had been opened were approximately US$300 thousand and US$723 thousand, respectively.

(II) The consolidated company's unrecognized contractual commitments are stated as following:

	December 31, 2022	December 31, 2021
Payments for property, plant, and equipment	$ 36,300	$ -

XXVI. The significant assets and liabilities denominated in foreign currencies

The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31, 2022		
Financial assets	Foreign currency	Exchange Rate	Carrying Amount
Monetary items			
USD	$ 8,787	30.71 (USD:NTD)	$ 269,849
USD	3,839	6.967 (USD:CNY)	117,896
RMB	6,287	4.408 (CNY:NTD)	27,713
Financial liabilities			
Monetary items			
USD	1,862	30.71 (USD:NTD)	57,182
USD	648	6.967 (USD:CNY)	19,900
USD	729	23,270 (USD:VND)	22,388
USD	1,991	34.347 (USD:THB)	61,144

Financial assets	December 31, 2021 Foreign currency	Exchange Rate	Carrying Amount
Monetary items			
USD	$ 12,906	27.68 (USD:NTD)	$ 357,238
USD	6,056	6.372 (USD:CNY)	167,630
RMB	4,726	4.344 (CNY:NTD)	20,530
Financial liabilities			
Monetary items			
USD	3,046	27.68 (USD:NTD)	84,313
USD	1,910	6.372 (USD:CNY)	52,869
USD	798	22,801 (USD:VND)	22,089
USD	1,619	33.162 (USD:THB)	44,814

The merged company is mainly responsible for the US Dollar and Euro foreign exchange rate risk. The following information was aggregated by the functional currencies of the consolidated entity, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gain (losses) were as follows:

	2022		2021	
Functional currency	Functional currency converted to presentation currency	Net exchange losses (gains)	Functional currency converted to presentation currency	Net exchange losses (gains)
NTD	1 (NTD:NTD)	$ 34,723	1 (NTD:NTD)	($ 8,455)
THB	0.856 (THB:NTD)	(4,495)	0.882 (THB:NTD)	(5,862)
RMB	4.422 (CNY:NTD)	10,666	4.341 (CNY:NTD)	(4,280)
USD	29.805 (USD:NTD)	349	28.009 (USD:NTD)	1,861
		$ 41,243		($ 16,736)

XXVII. SEPARATELY DISCLOSED ITEMS

(I) Information about significant transactions and investees and (II) Transfer investment information:

1. Financing provided to others: Table 1.
2. Endorsements/guarantees provided: Table 2.
3. Marketable securities held at the end of the period: None.
4. Marketable securities acquired and disposed of at costs or prices at least $300 million or 20% of the paid-in capital: None.
5. Acquisition of individual real estate at costs of at least $300 million or 20% of the paid-in capital. (None)
6. Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties amounting to at least $100 million or 20% of the paid-in capital. (Table 3)
8. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: None.
9. Trading in derivative instruments: None.
10. Intercompany relationships and significant intercompany transactions. (Table 4)
11. Information on investees. (Table 5)

(III) Investments in Mainland China

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 4)
   (3) The amount of property transactions and the amount of the resultant gains or losses: None.
   (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2.
   (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
   (6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.

(IV) Information on principal shareholders: The names, amounts, and proportions of shares of shareholders with a shareholding ratio of 5% or more: Table 7.

XXVIII. Department information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The consolidated entity's segment information is disclosed as follows:

(I) Segment revenues and results

1. Domestic operations - manufacturing and sales in Taiwan.
2. Asia operations - manufacturing and sales in Asian countries except Taiwan.

The following was an analysis of the consolidated entity's revenue and results from continuing operations by reportable segments:

	Segment Revenue		Segment Profit	
	2022	2021	2022	2021
Domestic operations	$ 1,619,490	$ 1,477,516	$ 17,943	$ 39,920
Asia operations	1,337,701	1,723,590	(21,236)	(8,631)
Total for continuing operations	$ 2,957,191	$ 3,201,106	(3,293)	31,289
Interest income			1,557	798
Foreign currency exchange net gains (loss)			40,005	(16,264)
Interest fees			(26,777)	(17,369)
General income and benefits			33,723	13,996
General expenses and losses			(1,993)	(6,042)
Net profits before tax			$ 43,222	$ 6,408

Departmental benefits refer to the profits earned by each department, excluding interest income, net foreign currency exchange gains (losses), interest expenses and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(II) Segment total assets and liabilities

	December 31, 2022	December 31, 2021
Segment assets		
Domestic operations	$ 2,209,326	$ 2,250,457
Asia operations	1,095,229	1,363,762
Unallocated assets	84,287	102,599
Consolidated total assets	$ 3,388,842	$ 3,716,818
Segment liabilities		
Domestic operations	$ 1,664,744	$ 1,892,913
Asia operations	184,451	346,614
Unallocated liabilities	44,148	45,073
Consolidated total liabilities	$ 1,893,343	$ 2,284,600

For the purpose of monitoring segment performance and allocating resources between segments:

1. All assets were allocated to reportable segments other than financial assets measured at amortized cost-current and deferred income tax assets. Assets used jointly by reportable segments were allocated on the basis of the revenue earned by individual reportable segments; and
2. All liabilities were allocated to reportable segments other than deferred tax liabilities. Liabilities for which reportable segments are jointly liable were allocated in proportion to segment assets.

(III) Revenue from major products

The following is an analysis of the consolidated entity's revenue from continuing operations from its major products.

	2022	2021
PU synthetic resin	$ 2,418,376	$ 2,487,488
PE resin	161,954	256,357
Others	376,861	457,261
	$ 2,957,191	$ 3,201,106

(IV) Geographical information

The consolidated entity's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	2022	2021
China (including Hong Kong)	$ 1,512,442	$ 1,275,808
Taiwan	588,996	1,119,419
Others	855,753	805,879
	$ 2,957,191	$ 3,201,106

(V) Information about major customers

In 2022 and 2021, no revenue from a single customer exceeded 10% of the consolidated company's total revenue.

Evermore Chemical Industry Co., Ltd. and Subsidiaries
FINANCING PROVIDED TO OTHERS
January 1 to December 31, 2022

TABLE 1

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

Number	Lender	Loan and counterparty (Note 1)	Financial Statement Account	Related party	Highest Balance for the Period	Balance at End of Year (Note 2)	Actual Borrowing Amount	Interest Rate	Fund lending Type	Business Transaction Amount	Reasons for Short-term Financing	Allowance for bad debt	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	The Company	U-BEST	Other receivables	Yes	$ 14,738 (USD 500)	$ -	$ -	(Note 3)	Necessary for short-term financing	$ -	Operating capital	$ -	—	$ -	$ 149,550 (Note 4)	$ 598,199 (Note 4)	
1	U-BEST	SUNYAD	Other receivables	Yes	8,785 (VND 6,600,000)	-	-	(Note 3)	Necessary for short-term financing	-	Operating capital	-	—	-	28,460 (Note 5)	28,460 (Note 5)	

Note 1: Significant intercompany accounts and transactions have been eliminated.
Note 2: The ending balance amount has been approved by the board of directors.
Note 3: Interest rate according to bank loan contract.
Note 4: The loan and limit and total limit of individual funds are limited to the sum of 10% of the Company’s net worth and the monthly average transaction value over the previous year, or 40% of the Company's net worth.
Note 5: The limit of lent funds for individual counterparties and the total limit shall be respectively be the sum of 40% of U-BEST's net value and the monthly average transaction volume within the most recent year and 40% of U-BEST's net value.

Evermore Chemical Industry Co., Ltd. and Subsidiaries
ENDORSEMENTS/GUARANTEES PROVIDED
January 1 to December 31, 2022

TABLE 2

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

Number	Endorser/ Guarantor	Endorsee/Guarantee		Limited endorsements/ guarantees limits (Note)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	The ratio of the accumulated endorsement guarantee amount to the net value of the financial report for the period	Endorsement guarantee maximum limit (Note)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Company name	Relationship											
0	The Company	LIBERTY BELL	Refer to Note X of consolidated financial statements	$ 747,749	$ 420,375 (USD 15,000)	$ -	$ -	$ -	-	$ 1,046,849	Y	—	—	
		TOPWELL	Refer to Note X of consolidated financial statements	747,749	16,108 (USD 500)	15,355 (USD 500)	15,355 (USD 500)	15,355 (USD 500)	1.03%	1,046,849	Y	—	—	
		Dongguan Baojian Company	Refer to Note X of consolidated financial statements	747,749	273,828 (USD 8,500)	261,035 (USD 8,500)	-	-	17.45%	1,046,849	Y	—	—	

Note: The guarantee limit and maximum limit for individual entity are 50% and 70% of the net worth of the Company, respectively.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
January 1 to December 31, 2022

TABLE 3

Unit: NTD thousand

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	TOPWELL	Subsidiary	(Sales)	($ 157,755)	(8)	T/T 90 days	Note 1	－	$ 61,533	18	(Note 2)

Note 1: The price of sales transactions with related parties is quoted based on product differentiation and market condition.
Note 2: Significant intercompany accounts and transactions have been eliminated.

Evermore Chemical Industry Co., Ltd. and Subsidiaries
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
January 1 to December 31, 2022

TABLE 4

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

Number	Investee Company (Note 1)	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets
0	The Company	Dongguan Baojian Company	1	Sales	$ 77,002	T/T 90 days	3
		U-BEST	1	Accounts receivable	20,610	T/T 90 days	1
		U-BEST	1	Sales	72,074	T/T 90 days	2
		TOPWELL	1	Accounts receivable	61,533	T/T 90 days	2
		TOPWELL	1	Sales	157,755	T/T 90 days	5
1	CHEM-MAT	LEADERSHIP SHANGHAI	1	Sales	38,366	T/T 210 days	1
		LEADERSHIP SHANGHAI	1	Accounts receivable	25,315	T/T 210 days	1
2	Dongguan Baojian Company	U-BEST	2	Sales	27,066	T/T 90 days	1

Note 1: Significant intercompany accounts and transactions have been eliminated.
Note 2: Relationship of counterparty: (1) parent entity to subsidiary; (2) subsidiary to subsidiary; (3) subsidiary to parent entity.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTEES
January 1 to December 31, 2022

TABLE 5

Unit: Thousands of New Taiwan Dollars or Foreign Currencies/Thousands of Shares

Investor	Investee company name	Location	Main business items	Original Investment Amount		As of December 31, 2018			Current net income (loss) of the Investee	Share of investment profit (loss) recognized in the current period
				End of this year	End of last year	Number of Shares	%	Carrying Amount		
The Company	NEOLITE	British Virgin Islands	Financial investment and international trade	$ 413,902	$ 413,902	13,059	100	$ 569,480	$ 10,257	$ 10,257
	Giant Star Trading Co.	Taichung City	Trading of chemical raw materials	97,367	97,367	12,600	100	135,410	(4,544)	(4,544)
	CHEM-MAT	Nantou County	Wholesale of coating, pigments, and industrial catalyst	111,484	111,484	7,199	100	119,763	(5,495)	(2,182)
	U-BEST	Vietnam	Production and sales of PU resin and adhesives	132,314	132,314	-	100	142,841	6,959	4,558
	TOPWELL	Thailand	Synthetic resin trading business	76,201	76,201	8,000	100	36,021	(358)	(148)
	SUCCESS	Samoa	Financial investment and international trade	185,064	155,250	5,000	100	163,827	(5,477)	(10,167)
Giant Star Trading Co.	NEOTOP	Samoa	Financial investment and international trade	58,800	58,800	-	100	91,843	(4,171)	(Note)
	NEOWIN	Samoa	Financial investment and international trade	-	15,553	-	100	-	692	(Note)
NEOLITE	LIBERTY BELL	British Virgin Islands	Financial investment and international trade	563,243 USD 18,126	563,243 USD 18,126	21,000	100	574,180	10,467 USD 155	(Note)
SUCCESS	SUNYAD	Vietnam	Manufacturing and sales of PU synthetic leather products	185,064	155,250	-	100	54,109	(5,477) (USD 185)	(Note)

Note: Not applicable.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES
Investments in Mainland China
January 1 to December 31, 2022

TABLE 6

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

INFORMATION ON INVESTMENTS IN MAINLAND CHINA	Main business items	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan, beginning	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019(Note 2)	Net Income (Loss) of investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income, ending
					Outward	Inward						
Dongguan Baojian Company	Production and sales of PU resin	$ 512,818 CNY 120,789	(Note 1)	$ 244,425 USD 7,576	$ -	$ -	$ 244,425 USD 7,576	$ 10,546 CNY 2,053	100%	$ 10,546 CNY 2,053	$ 573,019 CNY 129,995	$ -
TOPCO	Wholesale of chemical products	38,922 CNY 8,053	(Note 1)	26,450 USD 820	-	-	26,450 USD 820	(4,175) (CNY 943)	100%	(4,175) (CNY 943)	91,808 CNY 20,827	162,194 CNY 35,789
LEADERSHIP SHANGHAI	Wholesale of chemical products	15,400 CNY 3,474	(Note 1)	15,400 USD 500	-	-	15,400 USD 500	(2,165) (CNY 488)	100%	(2,165) (CNY 488)	1,469 CNY 334	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 412,055 (USD 12,796)	$ 921,115 (USD 29,126) (Note 4)	(Note 5)

Note1: Investments in mainland China were through companies established in the third region.
Note2: Including investment in equipment and expertise, but not including the surplus of investment in China's investment business, and reinvestment of investment in the third region.
Note 3: The financial statements of the investee were audited by the ROC parent company's CPA during the same period.
Note 4: Investment of US$29,126 thousand was authorized by the Investment Commission, MOEA, not including the surplus of investment in China's investment business, and reinvestment of investment in the third region (NEOLITE) of US$ 5,591 thousand.
Note 5: In accordance with "Principle of Examination on Investment or Technical Cooperation in Mainland China" stipulated by the Investment Commission, MOEA on August 29, 2008, the Company obtained the scope certificate for the headquarters issued by the Industrial Development Bureau, MOEA, with no upper limit for the investment amount in mainland China.

Evermore Chemical Industry Co., Ltd.
Information on principal shareholders
December 31, 2022

Table 7

Name of Major Shareholder	Shares	
	Number of shares held (shares)	Shareholding
AICA	49,793,388	50.10%
Ho Wen Chieh	7,003,532	7.04%

Note: Principal shareholder information in this schedule is prepared by the depository corporation based on the last business day at the end of the quarter, calculating the information that shareholders held more than 5% of the Company's common stock and preferred stock that have been delivered without physical registration (including treasury shares). The share capital recorded in the Company’s consolidated financial statements and the actual number of shares delivered without physical registration may be different due to different calculation bases or other differences.