國泰化工廠股份有限公司
Cathay Chemical Works,Inc.

TWSE Stock Code：1713

Cathay Chemical Works, Inc.

Annual Report 2022

Publication Date: June 23, 2023

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Spokesman: C.C. Hung, President
Deputy Spokesperson: Shu-Chen Tsai, Head of Audit
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II. Address and Telephone number
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Tel:(02)27811161
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V. Overseas trade place for listed negotiable securities: None

VI. Company website: http://www.ccwi.com.tw

2022 Annual Report

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One. The Report to Shareholders

Respected shareholders, Sirs and Madam,
Good day to you!

We appreciate for taking sparing the time to participate in the Company's 2023 shareholders' meeting. Sincerely thank you and welcome your coming. We hereby inform you of the Company's 2022 business result and 2023 business prospects as follows:

I. The effort and performance of the operation plan

In the year 2022, the operating profit of the Company is NTD 571,450,000 and the profit after tax is NTD 285,900,000. The comparisons between the year 2021 and year 2022 are as below:

(1) Operating budget and profitability analysis:

I. Income Statement Unit: NT thousand dollars

Item	2022	2021	Difference (2022 minus 2021 / growth rate)	
			NTD	%
Operating Revenue	571,458	624,599	(53,141)	(8.51)
Operating Cost	508,241	537,390	(29,149)	(5.42)
Gross Profit	63,217	87,209	(23,992)	(27.51)
Operating expensive	70,149	61,251	8,898	14.53
Operating income	(6,932)	25,958	(32,890)	(126.70)
Non-Operating Income and Expenses	291,521	134,503	157,018	116.74
Profit before tax	284,589	160,461	124,128	77.36
Tax expensive	1,319	(2,974)	4,293	144.35
Net income	285,908	157,487	128,421	81.54
Earning per share	1.89	1.04	0.85	81.73

Note 1: The reduction of operating income due to LME price for Zinc has decline, also caused by the provision of employee bonuses and director's remuneration mentioned by the Article of Incorporation.

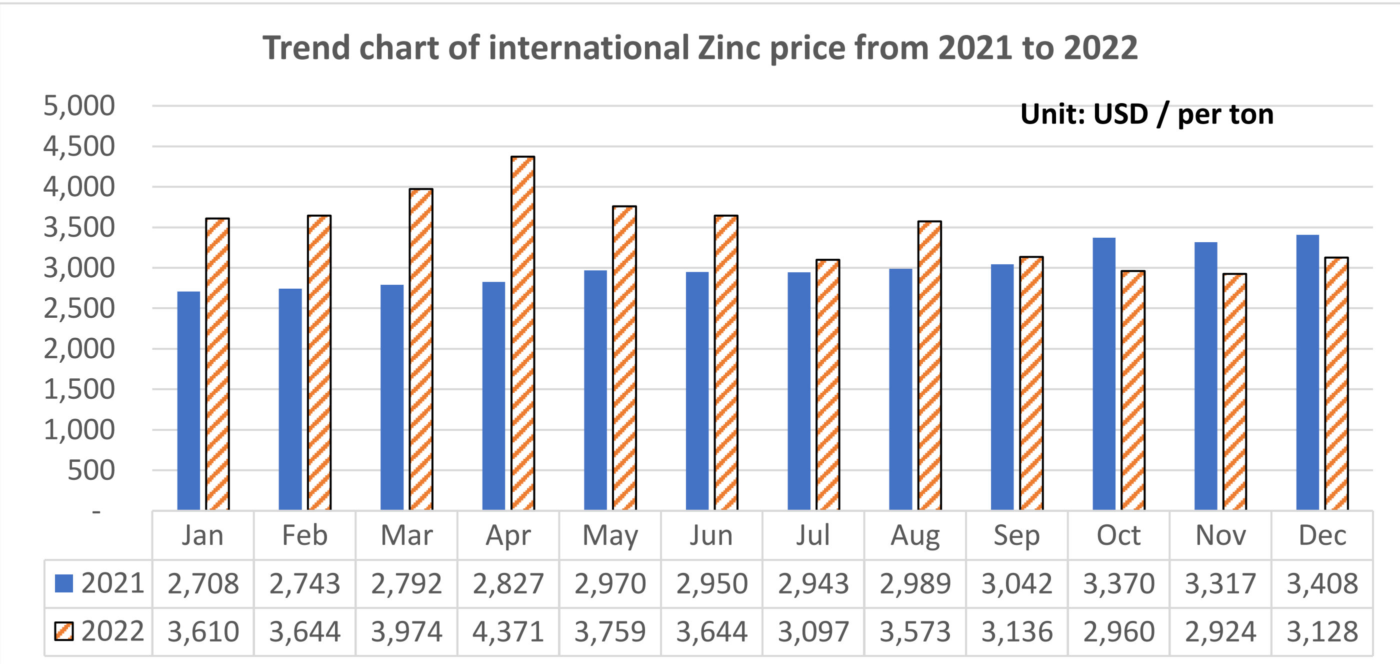
Note 2: The increase in Non-Operating Income owes to the reinvestment corporation TAIWAN PURITIC CORP., increasing their profit.

II. Profitability analysis

Item		2022	2021
Financial structure	Debt to asset ratio(%)	6.00	6.08
	Long-term capital to property, plant and equipment ratio (%)	789.48	730.75
Solvency	Current ratio (%)	1261.05	1585.32
	Quick ratio (%)	703.04	1005.40
Profitability	Return on assets (%)	10.72	6.22
	Return on equity (%)	11.41	6.61
	Operating Income to paid-in capital	(0.46)	1.72
	Profit before tax to paid-in capital (%)	18.85	10.63
	Profit margin (%)	50.03	25.21
	Earnings per share (NT$) (After retrospective adjustment)	1.89	1.04

(2) Business performance analysis：

LME price for Zinc has fallen from the high point of US 4,371 dollars per ton in April 2022 to US 3,128 dollars in December and stayed around US 3,000 dollars recently; due to the falling price of Zinc ingot, caused the Company’s stock cost is relatively higher and added the difficulty of selling. The sales decreased apparently. The Company's operating revenue in 2022 is around NT 571,450,000 dollars compared with NT 624,590,000 in 2021 decline of 8.51%; the gross profit was reduced by 27.51%. Even though it took a lot of effort to control the expenditure and reduce the cost, the operating income still had a deficit of NT 6,930,000 dollars.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	2,708	2,743	2,792	2,827	2,970	2,950	2,943	2,989	3,042	3,370	3,317	3,408
2022	3,610	3,644	3,974	4,371	3,759	3,644	3,097	3,573	3,136	2,960	2,924	3,128

In terms of non-operating income, due to the continuously good performance of the reinvestment company, TAIWAN PURITIC CORP. Company’s recognized income under the equity method is up to NT 286,060,000 dollars in 2022. The net income of non-operating income increased 116.74% in 2022 compared to the previous period; After adding up the operating benefits, the net profit before tax in 2022 was approx. NT 285,900,000 dollars; an increase of 81.54% against last year. Besides, the earnings per share is NT 1.89 dollars, which is the highest number since 1974, while the Company listed on TWSE.

(3) The status of research and development:

1. Continue to cooperate with the policy of Energy Saving and Carbon Reduction of the Ministry of Economic Affairs' electricity; plans to achieve the annual electricity saving target of 1%.
2. Improve the pollution of water vapor in the SFS crashing process, adjust the humidity in the air, and prevent the black iron disulfide from the surface of SFS.
3. Develop a rice cashing maker to higher production ability.

II. The overview of 2023 business plans

(1) Management guideline：

1. Deepen ESG in operational development. Take more social responsibility from the data assessment of ESG.
2. Continue to develop special-grade chemicals and open up new marketing.
3. Actively develop high add-valued products to domestic & oversea market, revitalize assets, and diversify the business, in expectation of increasing the operating income.

(2) expected sales volumes:

The Company’s expected sales volumes in 2023 as follows:

Sodium Hydrosulfite	1,000 MT
Zinc Oxide	2,600 MT
Sodium Formaldehyde Sulfoxylate	2,400 MT
Sodium Meta Bisulfite	5,200 MT

III. Marketing Strategy and Production:

(1) Marketing Strategy
- Continuously R&D and innovate to reduce the cost of products and obtain greater profits. Develop new products to open up a new business field.
- Actively explore new markets with the slogan “low-price but high-quality."

(2) Production Policy
- Continue to promote the "Material Saving Bonus" to let all employees work together to reduce costs.
- Put into effect "Energy Saving and Waste Reduction" to reduce costs and protect the environment.
- Actively develop high-value-added products to expand business areas.

After years of hard work, in addition to Taiwan, the Company also exported to the United States, Europe, New Zealand, Australia, South Africa, Northeast Asia, Southeast Asia, and other places. The Company hopes that based on continuously improving quality with research and development technology can increase the market share with "low-price but high-quality products" also can enhance the operating system. Finally, reach the scheduled goal of sales volumes in 2023.

IV. Future Prospects

The world might be shrouded in many uncertainties in 2023 such as Ukrainian-Russian War, Inflation and lift rates, or extreme climate change; they will all tremendously affect the global economy.

Cathay Chemical will continue keeping a highly circumspect and diligent spirit. Besides focusing on the main industry, strengthening the management on reinvestment, and pursuing growth and profit, we are also concerned about environmental protection, energy-saving, and carbon reduction. We expect to create a new win-win situation for shareholders, enterprises, and society. And we will keep moving towards becoming a green enterprise.

As the construction promoted by Kaohsiung government in Ciaotou Science Park, Asian New Bay Area, and the relocation of the 205th Arsenal, the land of our corporation‘s old site factory in Kaohsiung (16,643.95 square meters & approximately 5,034.79 pings) will become a core area in 5G ALOT innovation Park. This area benefits from the construction of transportation networks such as MRT, light rail, and highway, also with a good condition based on department stores entering, consummate life functions, and rare seascape with a large green landscape. The Kaohsiung City Economic and Trade Development Association is now actively discussing how to raise the usage rate in the residential area and create the most favorable development conditions.

In the end, may health, joy, and happiness be around you today and always. Thank you again!

Chairman,

Jou-Er, Ing

Two. Company Profile

Company Profile

I. Date of registered establishment: December 11, 1962

II. Address and contact number of the headquarter and factory sites

Address	Tel
Head Office: 12th Floor, No. 320, Section 4, Chunghsiao East Road, Taipei	(02) 27811161-9
Pingnan factory: No. 30, Pingnan Road, Pingnan Industrial Zone, Donghai Village, Fangliao Township, Pingtung County	(08) 8671390

III. Company history

The Company was established on December 11, 1962 with a registered capital of NT$7,000,000. The capital was then gradually increased and the total capital at the moment is NT$1,509,517,000. The Company's main products are sodium hydrosulfite and zinc oxide dust. In the early stage, they were mainly for domestic sales, but due to the Company's continuous research and improvement, not only the product quality has reached international standards, but also the production efficiency has greatly increased, and the export market has grown substantially. For more than 60 years, the Company has gone through many expansions. Its products have been sold at home and abroad and well received, and the Company has established an excellent reputation in the chemical industry. A summary of the major evolution of the Company since its establishment is as follows:

December 1962	The Company was approved to be established with a capital of NT$7 million. It is the first company in the country to manufacture sodium hydrosulfite by the zinc dust method.
April 1964	The Company successfully researched, developed and manufactured zinc dust by itself, and set up a zinc dust plant for production and self-use. Since then, zinc dust, one of the main raw materials of sodium hydrosulfite, does not need to rely on imports.
June 1964	The Company successfully researched and developed calcined zinc oxide to supply to the increasingly booming ceramic industry.
April 1965	The Company successfully researched and developed sodium formaldehyde sulfoxylate products for the needs of the chemical synthesis industry. The Company increased its capital to NT$10 million, and expanded its production capacity to match the development of the textile industry of Taiwan.
August 1965	In order to prevent air pollution, waste gas recovery equipment is set up, and its by-product sodium sulfite is supplied to the paper industry.
May 1967	The Company increased its capital again by NT$4 million; the capital was increased to NT$14 million in order to expand production capacity.
August 1967	The Company's research and development of light zinc oxide dust was successful, and the products were supplied to domestic and foreign rubber industries.
June 1970	The Company increased its capital by NT$14 million in cash; the capital was increased to NT$28 million in order to add equipment to increase production volume.
April 1973	The Company invites senior professionals and technical personnel from Swiss Penns Company to come to the factory for guidance and improvement of the

	production technology of sodium hydrosulfite.
December 1973	In order to save energy, the Company purchased zinc dust manufacturing technology from British Darren Company.
December 1974	The new Darren zinc dust plant started production. In addition to saving a lot of energy consumption, the zinc dust produced can be supplied to the paint industry.
December 1976	The capital was increased twice in January and December this year, increasing the capital to NT$42 million.
September 1978	For the research and development of new production equipment, the capital was increased twice in June and September this year to have the capital increased to NT$84 million.
July 1980	The company successfully researched and developed a large-scale oxygen-free SO_2 sulfur-burning furnace, and the production capacity was greatly improved.
August 1980	In order to comply with research and development and improve production capacity and efficiency, the Company increased capital twice in January and August this year, raising the capital to NT$210 million.
September 1980	The Company was appraised by the Goodyear Tire & Rubber Company as its only third-party manufacturer of level A quality.
April 1982	The Company's large-scale zinc oxide burning furnace was completed, which not only reduces energy consumption, but also improves product quality.
January 1984	The Company was approved to use computers to process accounts from this year, which marks the beginning of the Company's promotion of computerized management.
August 1985	In line with the development of domestic advanced anti-rust paint, the Company independently developed ultra-fine zinc dust to be supplied to domestic and foreign countries,and was well received.
March 1986	The Company increased its capital in cash and introduced overseas Chinese capital of NT$100,009,070, increasing the capital to NT$310,009,070.
December 1986	The Company purchased automatic wastewater treatment equipment to completely solve the problem of water pollution. The Company merged Sundial Electronics Industry Co., Ltd. and increased the electronic department and products to move towards diversified businesses
October 1988	The Company purchased 4,000 pings of factory land in Qianzhen District, Kaohsiung from Taiwan Sugar Corporation for long-term development.
January 1989	The Company completed the procedures for converting earnings into capital in accordance with the law, increasing the capital to NT$421,612,330.
January 1990	The Company's application for the listing of the 42,161,233 ordinary shares issued was approved and archived for future reference by the Taiwan Stock Exchange based on the letter from the Securities Exchange Commission, Ministry of Finance dated November 8, 1989 referenced Tai-Tsai-Cheng (I) No. 02323. After the relevant listing procedures were completed, the listing and trading began on January 31 this year (listed as the first-class listed stock).
December 1990	The Company completed the procedures for converting earnings into capital in accordance with the law, increasing the capital to NT$636,324,000. The capital

	increase was used to purchase the relocation site of the Kaohsiung chemical factory and the business office of the head office.
January 1992	The Company completed the procedures for converting the earnings of NT$111,833,150 and the capital reserve of NT$17,180,750 into capital in accordance with the law, and the cash capital increase of NT$59,662,100 at the same time, thus increasing the capital to NT$825,000,000. This capital increase is to continuously raise the funds required for the purpose of the previous capital increase.
September 1992	In order to actively expand the room for development and create growth opportunities, the Company has successfully developed electronic communication products and telephone fax machines in two years. By the end of September this year, the research on the trial production and mass production came to an end, and the first model was launched which was affirmed and praised by the market.
November 1993	The Company's electronic business department successfully researched and developed new products, and launched a high-speed data machine, which was widely praised by consumers after its introduction.
August 1994	The Company completed the procedures for converting the earnings of NT$79,900,000 and the capital reserve of NT$6,600,000 into capital in accordance with the law, increasing the capital to NT$911,500,000. The purpose of this capital increase is to purchase machinery and equipment for the Kaohsiung factory to break through the bottleneck of the production process, so as to increase the production volume, reduce unit costs and enhance product competitiveness.
August 1995	The Company completed the procedures for converting the earnings of NT$28,795,000 and the capital reserve of NT$63,805,000 into capital in accordance with the law, increasing the capital to NT$1,004,100,000.
September 1995	The Company leased part of its Liudu factory from Reward Wool Industry Corporation for the relocation from the factory leased from Xizhi Electronics after the expiration of the lease.
June 1996	The Company's excellence-grade sodium formaldehyde sulfoxylate successfully entered the Japanese petrochemical industry, opening a way for the expansion of the Company's sodium formaldehyde sulfoxylate products.
August 1996	The Company completed the procedures for converting the earnings of NT$31,723,000 and the capital reserve of NT$70,287,000 into capital in accordance with the law, increasing the capital to NT$1,106,110,000.
August 1996	The Company successfully developed the world's smallest and lightest fax machine FAX-501, and granted Guoqi Industrial the domestic general agent right to launch it under the Proton brand.
March 1997	The Company's application for the lease and purchase of three lots of land in the chemical material zone in the West and East III districts of the Zhangbin Industrial Zone was approved, with a total area of 56,821.15 square meters (equivalent to 17,188 pings) for the relocation of the Kaohsiung factory (after the cadastral arrangement of the land administration authority, the area of the three lots of land above was increased to 57,100.52 square meters, equivalent to 17,272.91 pings).
August 1997	The Company completed the procedures for converting the earnings of

NT$92,758,800 and the capital reserve of NT$22,122,200 into capital in accordance with the law, increasing the capital to NT$1,220,991,000.

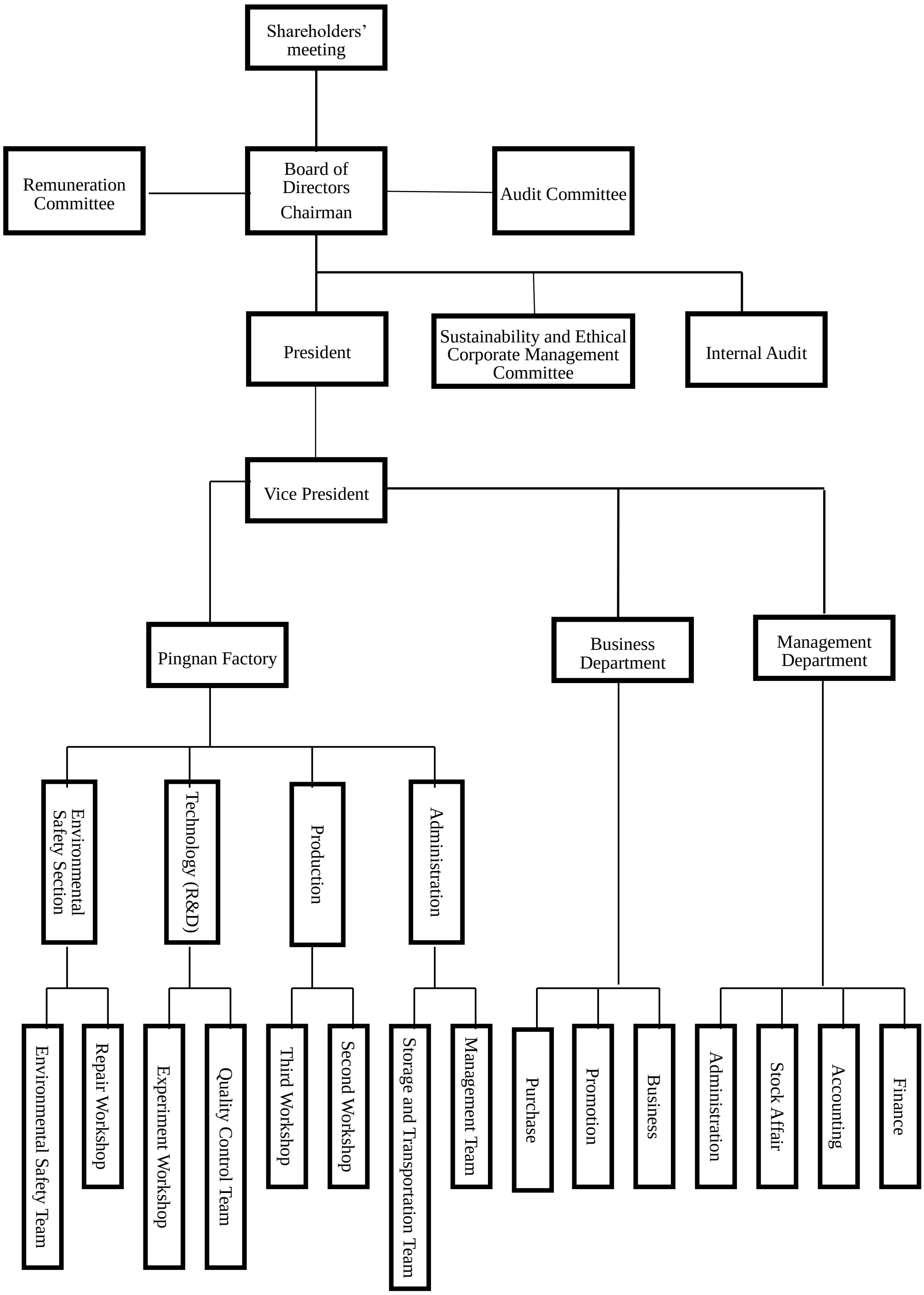
July 1998	The Company completed the procedures for converting the earnings of NT$115,661,090 and the capital reserve of NT$12,209,910 into capital in accordance with the law, increasing the capital to NT$1,348,862,000.
July 1999	The Company completed the procedures for converting the earnings of NT$57,367,000 into capital in accordance with the law, increasing the capital to NT$1,406,229,000.
July 2000	The Company completed the procedures for converting the earnings of NT$103,288,000 into capital in accordance with the law, increasing the capital to NT$1,509,517,000.
October 2001	Since the room for development of fax machine products has been greatly reduced due to the boom of other communication equipment products in recent years, the subsequent development is difficult. After the management's decision to stop the manufacturing and production at the electronic factory in Liudu Industrial Zone and end the electronic department, the Company applied with and received the approval from the Keelung Municipal Government dated October 12, 2001 referenced Ji-Fu-Jian-Shang-Chang No. 090000055 for the cancellation of the factory registration.
November 2002	With the encouragement of government project subsidy, the Company completed the development plan of the new production technology of manufacturing sodium hydrosulfite with sodium formate. This technology has the characteristics of high quality and low cost, making the production and marketing of our main product sodium formate more flexible and competitive, so as to face the challenges of the more severe global competition.
March 2003	The Company's continuous manufacturing technology plan for the production of Method A zinc oxide was completed in one year. This research and development will greatly reduce the cost of zinc oxide products and increase the competitivity.
September 2004	The Company decided to create market segmentation with its leading production technology and quality. Following the successful development of new technologies for sodium hydrosulfite and zinc oxide, the Company extracted its valuable experience and took a step further. In September 2004, the Company engaged in the research and development of continuous zinc dust manufacturing technology, hoping to save energy, increase the utilization rate of zinc ingots, improve the purity of zinc dust, create better competitive conditions, and meet the more severe challenges in the future.
September 2005	In order to comply with the government's policy of building a "Kaohsiung Multi-Functional Economic and Trade Park" and the promotion of the development plan by stages, the Company's Kaohsiung factory was gradually relocated to the new address at No. 30 Pingnan Road, Pingnan Industrial Zone, Fangliao Township, Pingtung County since October.
December 2006	The Company held a completion ceremony for its Pingnan factory on December 21.
December 2007	The Company cooperated with the Industrial Technology Research Institute on the development of lanolin derivatives, and completed the initial laboratory research and development of refined lanolin, liquid lanolin and refined lanolin alcohol. The

	Company is currently engaged in small-scale trial production to ensure the quality of the process and the accuracy of parameters, so as to serve as the basis for the factory setup assessment.
December 2008	In the rare financial tsunami, all walks of life in the world are severely impacted and no one was spared. In this difficult business environment, the Company still made a profit in 2008.
May 2009	The Company commissioned BroJob Company to start the land improvement project of the old factory in Qianzhen (located in the elite area of the Greater Kaohsiung Metropolitan Economic and Trade Park). The project is expected to be completed before 2010, so as to seize the development opportunity and seek greater benefits for shareholders.
December 2010	The Ministry of Finance announced the establishment of an anti-dumping duty case on the Company’s accusation of sodium formaldehyde sulfoxylate imported from mainland China, with a dumping margin of 14.72%~28.93% and a levy period of five years. Since Taiwan’s first levy of a dumping margin of 45.76% in 1992 on sodium hydrosulfite imported from Japan, This is another successful case of anti-dumping duties imposed on foreign goods.
July 2011	The Company continued to improve the production technology of zinc dust and zinc oxide. After improving the combustion system this summer, the unit fuel consumption was less than half of the amount of the known-how purchased from Darren, UK, and the Company’s work of “energy conservation and waste reduction” has taken another big step forward.
January 2012	The Kaohsiung Municipal Government announced that the pollution control of the land on the former Kaohsiung factory site was lifted, and the relevant municipal land readjustment by the competent authority according to law and the return of the land to the Company are pending before the Company could carry out the follow-up development work.
February 2013	The Company specially had professional doctors seconded from domestic academic circles to form a strong team, specializing in the R&D and application of derivatives of sodium bisulfite, so as to open up a new business field.
February 2015	The Kaohsiung Municipal Government returned the Company’s land for a total of 16,643.95 square meters (approximately 5,034.79 pings) on lots No. 4, No. 5 and No. 29 in Small Section I of the Economic and Trade Section of Qianzhen District, Kaohsiung.
June 2021	Taiwan Puritic Corp., the Company’s reinvestment, was registered as an emerging stock on the Taipei Exchange

Three. Corporate Governance Report

I. Organizational structure

(I) Organizational structure



(II) Businesses of major departments

Department	Businesses
Internal Audit	Establishing the Company's internal audit system, revising and implementing the internal audit plan and submitting it to the board meeting.
Management Department	Execute the Company's internal affairs, stock affairs, asset management, manpower planning and other management affairs, and regularly prepare various accounting statements and capital scheduling.
Business Department	Responsible for domestic and foreign market business; developing sales targets and business plans, and the corresponding procurement of raw materials and materials for various production.
Pingnan Factory	Dedicated to the production of the Company's products.

II. Background information of the president, vice presidents and heads of various departments:

(I-1) Information of directors

April 2, 2023

Position	Nationality or place of registration	Name	Gender/age	Date elected/appointed	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent duties in the Company and other companies	Other managers or directors with a relationship of spouse or relative within the second degree of kinship			Remarks
							Shares	Shareholding percentage %	Shares	Shareholding percentage %	Shares	Shareholding percentage %	Shares	Shareholding percentage %			Position	Name	Relation	
Directors	The Republic of China	Heng Chang Investment Corp.	-	2020.05.28	3 years	1993.04.19	19,534,906	12.94	19,534,906	12.94	—	—	—	—	-	-	-	-	-	
Chairman	The Republic of China	Jou-Er, Ing Representative, Heng Chang Investment Corp.	Female 70~80	2020.05.28	3 years	2012.06.20	0	0	0	0	0	0	0	0	Master, University of California	Chairperson, Taiwan Puritic Corp. Chairperson, Reward Wool Industry Corporation	None	Npmo	None	
Directors	The Republic of China	C.C. Hung Representative, Heng Chang Investment Corp.	Male 60~70	2020.12.31	3 years	2020.12.31	1,652,000	1.09	1,652,000	1.09	0	0	40,000	0.03	Fu Jen Catholic University, advanced examination qualified Certified public accountant	Chicheng Industrial Co., Ltd. Responsible person and the Company's President	None	No	None	
Independent director	The Republic of China	Hui-Chu Lin	Female 60~70	2020.05.28	3 years	2020.05.28	0	0	0	0	0	0	0	0	Master, National Taiwan University Advanced examination qualified, CPA	President, Jinye Accounting Firm; Responsible person, Rijin Consulting Co., Ltd. and Remuneration Committee member of Gwo Huah Chemical Ind.	None	No	None	
Independent director	The Republic of China	Chen-Yan Lin	Male 70~80	2020.05.28	3 years	2017.06.16	0	0	0	0	0	0	0	0	Doctor of Law, Union University of California Advanced examination qualified, attorney at law	Taiwan Representative, Cross-strait Legal Service Company, and Remuneration Committee member of Gwo Huah Chemical Ind.	None	No	None	
Independent director	The Republic of China	Tsung-Ming Chung	Male 80~85	2020.05.28	3 years	2020.05.28	80,000	0.05	62,000	0.04	0	0	0	0	National Chung Hsing University Head of Audit, Cathay Chemical Works Inc.	Remuneration Committee of Gwo Huah Chemical Ind.	None	No	None	

Table I. Major Shareholders of Corporate Shareholders

December 31, 2022

Name of corporate shareholder (Note 1)	Major shareholders of corporate shareholder (Note 2)
Heng Chang Investment Corp.	Hongchang Investment Co., Ltd. (33.27%), Yingchang Go Education Foundation (29.33%), Litai Investment Co., Ltd. (19.33%), Fa-Nuo Ying (16.67%)

Note 1: If a director is the representative of a corporate shareholder, the name of the corporate shareholder shall be filled in.

Note 2: Fill in the name of the major shareholder (whose equity ratio exceeds 10% or the equity ratio is among the top ten) of the corporate shareholder. If the major shareholder is a legal person, fill out the following table.

Note 3: If the corporate shareholder is not a company, the name of the shareholder and shareholding ratio to be disclosed in the preceding paragraph shall be the name of the investor or donor (please refer to the announcement of the Judicial Yuan) and its contribution or donation ratio. If the donor has passed away, a note of "deceased" shall be added.

Table II. Major Corporate Shareholders of the Corporate Shareholder in Table I

December 31, 2022

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder
Litai Investment Co., Ltd.	Yingchang Go Education Foundation (29.33%)
Yingchang Go Education Foundation	Jou-Er, Ing, Chairperson
Hongchang Investment Co., Ltd.	Ming-Hao Ying (99.70%) [deceased]

(I-2) Directors' background

1. Disclosure of professional qualifications of directors and independence of independent directors:

Criteria / Name	Professional qualifications and experience	Independence status	Number of positions as an independent director in other public companies
Jou-Er, Ing	Master, University of California Professional in accounting, operation, leadership or management Chairman, Chungcheng Investment Co., Ltd. Chairman, Cathay Chemical Works Inc. Chairman and President, Reward Wool Industry Corporation Chairperson, Taiwan Puritic Corp. No occurrence of any of the circumstances stated in Article 30 of the Company Act.	-	-
C.C. Hung	Accounting Department of Fu Jen Catholic University, advanced examination of audit personnel qualified, CPA Professional in accounting, operation, leadership or management Responsible person, Chicheng Industrial Co., Ltd. President of the Company No occurrence of any of the circumstances stated in Article 30 of the Company Act.	-	-
Hui-Chu Lin	Master, Institute of Accounting, National Taiwan University Advanced examination of audit personnel qualified Internal Auditor, Republic of China China registered CPA Professional in accounting, leadership or management CPA and President, Jinye Accounting Firm Responsible person, Rijin Consulting Co., Ltd. Director of Mingli Culture and Education Foundation	1. Not employed by the Company or any of its affiliated companies. 2. Not a director of the Company or any of its affiliated companies. 3. Does not hold more than 1% of the Company's outstanding shares in his/her own name or under the name of his/her spouse or minor children, or in the name of another person, nor is a top-10 natural-person shareholder of the Company. 4. Not a manager listed in (1), or a spouse, 2nd-degree relative or 3rd-degree direct relative to any personnel listed in (2) or (3). 5. Not a director or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or is a top 5	
Chen-Yan Lin	National Taiwan University, Doctor of Law, Union University of California, advanced examination qualified, attorney at law Professional in leadership or management. Arbitrator of the Chinese Arbitration Association Taiwan Representative, Cross-strait Legal Service Company Member of the Taipei Election Commission		

Tsung-Ming Chung	Department of Economics, National Chung Hsing University Professional in accounting, finance or management Assistant Manager, Management Department, Eagle Textile Former Head of Audit, Cathay Chemical Works Inc.	shareholder, or designates its representative to serve as a director of the Company pursuant to paragraph 1 or 2, Article 27 of the Company Act. 6. Not a director or employee of another company which has a seat on the board of directors, or more than half of its shares with voting rights are controlled by the same owner of the Company 7. Not a director or employee of another company or institution who is the same person or spouse as the Chairman, President or an equivalent position of the Company. 8. Not a director or manager of another company or institution which has financial or business dealings with the Company, or is a shareholder holding more than 5% of the shares of the Company. 9. Not a professional, sole proprietor, partner, business owner or partner, or a director, supervisor, manager or the spouse of the above of a company or institution which provides audit services to the Company or its affiliated enterprises, or the cumulative remuneration amount of which in the past two years exceeds NT$500,000 for business, legal affairs, finance or accounting related services. 10. Not a spouse or relative of the second degree of any other director. 11. No occurrence of any of the circumstances stated in Article 30 of the Company Act. 12. Not a government agency, a legal person or its representative as stipulated in Article 27 of the Company Act.	

2. Diversity and Independence of the board of directors:

(1) Diversity of the board of directors:

The members of the current board of directors have rich experience and expertise in business, legal affairs, management and other professional fields , and meet the principle of mutual complementarity, in order to improve the Company's operation and achieve the goal of corporate governance.

The Company also pays attention to gender equality in the composition of the board of directors. At present, there are 3 men and 2 women among the 5 directors, with women accounting for 40%. The tenure of 1 independent director is 3~6 years, and the tenure of 2 independent directors is 1~3 years.

Among the 5 directors, 2 are over 60 years old, 2 over 70 years old, and 1 over 80 years old.

(2) Independence of the board of directors:

- According to the requirements of the Listing Rules, the Company has obtained a written statement from each independent non-executive director confirming the independence of him/herself and his/her immediate family members relative to the Company.
- The board of directors of the Company consists of 5 directors, including 3 independent directors, accounting for 60% of the total number of independent directors. There are no spouses or relatives within the second degree among the five directors.

(II) Background information of the president, vice presidents and heads of various departments:

April 23, 2023

Position	Nationality	Name	Gender	Date elected/appointed	Current shareholding		Shareholding of spouse and underage children		Shares held by proxy		Major experience and education	Concurrent positions in other companies	Spouse or relatives of the second degree or closer acting as managers			Remarks
					Shares	Shareholding percentage %	Shares	Shareholding percentage %	Shares	Shareholding percentage %			Position	Name	Relation	
President and Head of Finance	The Republic of China	C.C. Hung	Male	2020.12	1,652,000	1.09	0	0	40,000	0.03	Cathay Chemical Works Inc. Supervisor	Director, Chicheng Industrial Co., Ltd.	None			
Vice President	The Republic of China	Geng-Sheng Jin	Male	1994.12	37,505	0.03	0	0	0	0	Cathay Chemical Works Inc. Factory Director	None	None			
President and Factory Director	The Republic of China	Chi-Ming Hou	Male	2017.03	1,175	0	0	0	0	0	Cathay Chemical Works Inc. Chief of Production Section	None	None			
Head of Accounting	The Republic of China	Jin-Hua Hsu	Female	2005.01	0	0	0	0	0	0	Cathay Chemical Works Inc. Chief of Bookkeeping Section	None	None			
Head of Audit	The Republic of China	Shu-Chen Tsai	Female	2019.08	2,000	0	0	0	0	0	Cathay Chemical Works Inc. Section Chief	None	None			

III. Compensation to directors, the president, and vice presidents in the most recent year:

(I) Compensation to directors, the president, and vice presidents

1. Compensation to general and independent directors

Unit: NT$ thousand

Position	Name	Directors' compensation								Sum of A, B, C and D as a % of the net profit after tax (%)		Compensation received as an employee								Sum of A, B, C, D, E, F, and G as a percentage of net income after tax (%)		Compensation from the parent company or business investments other than subsidiaries
		Remuneration (A) (Note 2)		Severance and pension (B)		Remuneration for directors (C)		Business execution expenses (D)				Salary, bonus, allowance (E)		Severance and pension (F) (Note 2)		Remuneration for employees (G)						
																The Company		All companies included in the financial statements				
		The Company	All companies included in the financial statements (Note 1)	The Company	All companies included in the financial statements (Note 1)	The Company	All companies included in the financial statements (Note 1)	The Company	All companies included in the financial statements (Note 1)	The Company	All companies included in the financial statements (Note 1)	The Company	All companies included in the financial statements (Note 1)	The Company	All companies included in the financial statements (Note 1)	Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares	The Company	All companies included in the financial statements (Note 1)	
Corporate director	Heng Chang Investment Corp.	3,010	–	–	–	3,028	–	600	–	2.32	–	2,866	–	–	–	926	–	–	–	3.65	–	–
Chairman	Jou-Er, Ing, Representative, Heng Chang Investment Corp.																					
Directors	C.C. Hung, Representative, Heng Chang Investment Corp.																					
Independent director	Chen-Yan Lin																					
	Hui-Chu Lin																					
	Tsung-Ming Chung																					

1. Please explain the policy, system, standards, and structure by which independent director compensation is paid and the association between the amount paid and the independent director's responsibilities, risks and time invested: Regardless of the Company's profit or loss, the independent directors of the company will be paid a fixed monthly fee of NT$10,000 per person. Article 28 of the Company's Articles of Association stipulates that no more than 1% of the profit in the current year shall be the director's remuneration.
2. Compensation received by the director for providing service (e.g. consultancy service as a non-employee) to any of the companies included in the financial statements in the most recent year: None.

Note 1: The Company is not required to prepare consolidated statements.

Note 2: Pension related information:

1. Actual amount paid in the most recent year: None.
2. Amount allocated for expensed pension in the most recent year: None.

Remuneration ranges

Remuneration ranges for the directors of the Company	Director's name			
	Total amount of the first four remunerations (A+B+C+D)		Total amount of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements (Note 1)	The Company	All reinvestments
Below NT$ 1,000,000	Hui-Chu Lin, Chen-Yan Lin and Tsung-Ming Chung	–	Hui-Chu Lin, Chen-Yan Lin and Tsung-Ming Chung	–
NT$ 1,000,000 (inclusive) - NT$ 2,000,000 (non-inclusive)	–	–	–	–
NT$ 2,000,000 (inclusive) - NT$ 3,500,000 (non-inclusive)	Jou-Er, Ing and C.C. Hung	–	Jou-Er, Ing	–
NT$ 3,500,000 (inclusive) - NT$ 5,000,000 (non-inclusive)	–	–	C.C. Hung	–
NT$ 5,000,000 (inclusive) - NT$ 10,000,000 (non-inclusive)	–	–	–	–
NT$ 10,000,000 (inclusive) - NT$ 15,000,000 (non-inclusive)	–	–	–	–
NT$ 15,000,000 (inclusive) - NT$ 30,000,000 (non-inclusive)	–	–	–	–
NT$ 30,000,000 (inclusive) - NT$ 50,000,000 (non-inclusive)	–	–	–	–
NT$50,000,000 (inclusive) ~ NT$100,000,000 (exclusive)	–	–	–	–
NT$ 100,000,000 and above	–	–	–	–
Total	5 people		5 people	

Note 1: The Company is not required to prepare consolidated statements.

2. Compensation to the president and vice presidents

Unit: NT$ thousand

Position	Name	Salary (A)		Severance pay and pension (B) (Note 2)		Bonuses and allowances (C)		Remuneration for employees (D)				A, B, C and D as a % of the net profits after tax (%)		Compensation from the parent company or business investments other than subsidiaries
		The Company	All companies included in the financial statements (Note 1)	The Company	All companies included in the financial statements (Note 1)	The Company		The Company		All companies included in the financial statements (Note 1)		The Company	All companies included in the financial statements (Note 1)	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
President	C.C. Hung	4,178	—	76	—	630	—	1672	—	—	—	2.29	—	
Vice President	Geng-Sheng Jin													

Note 1: The Company is not required to prepare consolidated statements.
Note 2: Pension related information: 1. Actual amount paid in the most recent year: None.
2. Amount allocated for expensed pension in the most recent year: NT$76 thousand.

Remuneration ranges

Remuneration ranges for the general managers and deputy general managers of the Company	Names of President and vice presidents	
	The Company	All investee companies (Note)
Below NT$ 1,000,000		
NT$ 1,000,000 (inclusive) - NT$ 2,000,000 (non-inclusive)		
NT$ 2,000,000 (inclusive) - NT$ 3,500,000 (non-inclusive)	Geng-Sheng Jin	
NT$ 3,500,000 (inclusive) - NT$ 5,000,000 (non-inclusive)	C.C. Hung	
NT$ 5,000,000 (inclusive) - NT$ 10,000,000 (non-inclusive)		
NT$ 10,000,000 (inclusive) - NT$ 15,000,000 (non-inclusive)		

NT$ 15,000,000 (inclusive) - NT$ 30,000,000 (non-inclusive)		
NT$ 30,000,000 (inclusive) - NT$ 50,000,000 (non-inclusive)		
NT$50,000,000 (inclusive) ~ NT$100,000,000 (exclusive)		
NT$ 100,000,000 and above		
Total	2 people	

Note: The Company is not required to prepare consolidated statements.

3. Names of managers entitled to employee remuneration and distribution status

Unit: NT$ thousand

	Position (Note 1)	Name (Note 1)	Amount paid in shares	Cash amount	Total	Total amount as a % of the net profits after tax (%)
Managerial Officer:	President	C.C. Hung	0	2,775	2,775	0.97
	Vice President	Geng-Sheng Jin				
	Head of Audit	Shu-Chen Tsai				
	Head of Accounting	Jin-Hua Hsu				
	Factory Director	Chi-Ming Hou				

Note 1: Individual names and professional titles shall be disclosed, but earnings distribution may be disclosed in aggregate.

Note 2: The amount of employee remuneration (including stock and cash) of managers proposed to be distributed by the board meeting before the shareholders' meeting for earnings distribution in the most recent year. If it cannot be estimated, the proposed distribution amount of the year shall be calculated according to the proportion of the actual distribution amount of last year. Net profit after tax refers to the net profit after tax of the most recent year; if the International Financial Reporting Standards have been adopted, the net profit after tax refers to the net profit after tax of the individual or respective financial report of the most recent year.

Note 3: The scope of application of managers is as follows in accordance with the provisions of the SFC's letter dated March 27, 2003 referenced Tai-Tsai-Cheng-III No. 0920001301:

(1) President and equivalent
(2) Vice president and equivalent
(3) Assistant vice president and equivalent
(4) Head of Finance
(5) Head of Accounting
(6) Other persons who have the right to manage affairs and sign for the Company

Note 4: If directors, the president and vice presidents receive employee remuneration (including stock and cash), this form shall be filled out in addition to Schedule 1-2.

(II) In case of any of the following circumstances, disclose the following matters:

1. Where an individual or respective financial report has suffered an after-tax loss in the most recent two years, disclose the compensation of individual directors. However, the above shall not apply if there is an net profit after tax tin he individual or respective financial report of the most recent year which is sufficient to cover the accumulated loss:

   No such situation from 2022 up to the publication date of the annual report.

2. Where the number of shares held by a director is insufficient for more than three consecutive months in the most recent year, disclose the compensation of the individual director:

   No such situation from 2022 up to the publication date of the annual report.

3. If the average pledge ratio of directors in the any three months of the most recent year is greater than 50%, disclose the compensation of the individual director whose pledge ratio is greater than 50% in each of such months:

   No such situation from 2022 up to the publication date of the annual report.

4. Where all directors receive more than 2% of the net profit after tax of all companies in the financial report as directors' remuneration, and an individual director receives more than NT$15 million as remuneration, disclose the remuneration of the individual director:

   No such situation from 2022 up to the publication date of the annual report.

(III) Compare and explain the proportion of the total remuneration paid by the Company to the directors, president and vice presidents of the Company in the past two years to the net profit after tax, and explain the policies, standards and combinations of remuneration, and the procedures for setting the remuneration in relation to business performance and future risks:

Unit: NT$ thousand

Position	2021		2022	
	Total amount as a % of the net profit after tax (%)		Total amount as a % of the net profit after tax (%)	
Directors	5,275	3.35	6,638	2.32
President Vice President	7,287	4.63	6,556	2.29

Compensation policies, standards and combinations, procedures of setting compensation, and the relationship with business performance and future risks:

1. The compensation of the directors, including travel expenses or remuneration, and directors' remuneration, shall be paid in accordance with the Articles of Association of the Company.
2. The remuneration of the president and vice presidents, including the base salary, bonus and remuneration, shall be paid in accordance with the principle of the Company's payment by rank.
3. Relationship between business performance and future risks: The Company's policies and procedures for paying remuneration to directors, the president and vice presidents are positively related to its business performance, and the amount of payment is disclosed in accordance with laws and regulations. The future risks should be limited.

IV. Corporate governance

(I) Functionality of board of directors

Operation of the board meeting

A total of 5 (A) board of board meetings were held in the most recent year, and the attendance status is as follows:

<table>
<tr><th>Position</th><th colspan="2">Name</th><th>Number of attendance in person B</th><th>Number of proxy attendance</th><th>Rate of attendance in person (%) [B/A]</th><th>Remarks</th></tr>
<tr><td>Chairman</td><td>Jou-Er, Ing</td><td rowspan="2">Representative of Heng Chang Investment Corp.</td><td>5</td><td>0</td><td>100</td><td></td></tr>
<tr><td>Directors</td><td>C.C. Hung</td><td>5</td><td>0</td><td>100</td><td></td></tr>
<tr><td>Independent director</td><td colspan="2">Hui-Chu Lin</td><td>5</td><td>0</td><td>100</td><td></td></tr>
<tr><td>Independent director</td><td colspan="2">Chen-Yan Lin</td><td>5</td><td>0</td><td>100</td><td></td></tr>
<tr><td>Independent director</td><td colspan="2">Tsung-Ming Chung</td><td>5</td><td>0</td><td>100</td><td></td></tr>
</table>

Other mandatory disclosures:

1. The operation of the board meeting does not have any of the following circumstances:

(1) Matters listed in Article 14-3 of the Securities and Exchange Act.

(2) Any other board resolution(s) with independent directors' objection or reservation on file or in writing.

2. Directors' avoidance of motions with personal interests involved:

Meeting name	Date	Motion	Avoidance due to personal interests and voting results
11th board meeting of the 24th term	2022.03.10	Discussion on the Company's 2022 adjustment to the chairman's and manager's salary and remuneration	Except that the related parties, Chairman Jou-Er, Ing and President C.C. Hung, avoided the discussion and voting, the other directors present had no objection and passed the proposal.

3. The cycle, period, scope, method and content of directors' self-assessment:

The board meeting passed the "Measures for Performance Evaluation of the Board of Directors and Functional Committees" at the 11th board meeting of the 23rd term on November 5, 2019. At the end of each year, the board meeting of the Company regularly evaluates the performance of the board of directors, individual board members and functional committees.

The results of the performance evaluation of the board of directors, individual board members and functional committees in 2022 were "excellent"; the self assessment result of the 5 directors was "excellent".

Execution of the performance evaluation of the board of directors

Evaluation frequency	Evaluation duration	Evaluation scope	Evaluation method
Once a year	January 1, 2022 to December 31, 2022.	The board of directors, individual board	Self assessment of the board of directors and

<table>
<tr><td></td><td></td><td>members and functional committees</td><td>individual board members</td></tr>
<tr><td colspan="4">Evaluation content</td></tr>
<tr><td colspan="4">1. Performance evaluation of the board of directors: The items and contents of the “Self Assessment Questionnaire for the Board of Directors’ Performance Evaluation” include five aspects: participation in the company’s operations, improvement of the decision-making quality of the board meeting, composition and structure of the board of directors, election and continuous training of directors, and internal control.
2. Performance evaluation of individual board members: The items and contents of the “Self Assessment Questionnaire for Individual Board Members’ Performance Evaluation” include six aspects: understanding of the company and its responsibilities, directors’ responsibilities, participation in the company’s operations, internal relationship management and communication, directors’ expertise and continuous learning, and internal control.
3. Performance evaluation of functional committees: The items and contents of the “Self Assessment Questionnaire for Functional Committees’ Performance Evaluation” include five aspects: participation in the company’s operations, understanding of the functional committee’s responsibilities, improvement of the decision-making quality of the functional committee, committee composition and election of members, and internal control.</td></tr>
</table>

4. Enhancement of the functionality of board of directors (e.g. setup of Audit Committee, improvement of information transparency etc.) in the current and the most recent year, and evaluation of execution status:
   (1) Establishment of an audit committee: The shareholders’ meeting re-elected directors in 2020; three independent directors were elected and an audit committee was established.
   (2) Improvement of information transparency: The Company has a dedicated person responsible for the disclosure of monthly revenue, material information, and resolutions of the board meeting, and for entering such information on the MOPS in accordance with regulations.
   (3) The board of directors has formulated the “Corporate Governance Best-Practice Principles” ,”Ethical Corporate Management Best Practice Principles” and “Employee Work Rules” to build correct ethical corporate management and ethical conducts with enforceable codes of conduct.

(II) Participation of the Audit Committee in the operation of the board of directors:

Operation of the Audit Committee

1. A total of 5 (A) board meetings were held in the most recent year, and the attendance status is as follows:

Position	Name	No. of persons in actual attendance (B)	Number of proxy attendance	Rate of attendance in person (%) [B/A]	Remarks
Independent director	Hui-Chu Lin	5	0	100	
Independent director	Chen-Yan Lin	5	0	100	
Independent director	Tsung-Ming Chung	5	0	100	

2. Annual work focus:

The Audit Committee of the Company consists of 3 independent directors. The purpose of the Audit Committee is to assist the board of directors in its supervision of the Company's integrity in the implementation of accounting, auditing and financial reporting processes and financial controls. The Audit Committee's main responsibilities include:

(1) Review of financial statements.
(2) Review of the internal audit plan.
(3) Review of the internal control system formulated or amended in accordance with Article 14 of the Securities and Exchange Act.
(4) Evaluation of the effectiveness of the internal control system.
(5) Review of operating procedures for major financial activities such as acquisition or disposal of assets which are formulated or amended in accordance with Article 36-1 of the Securities and Exchange Act.
(6) Review of loan and credit extension cases.
(7) Review of the business report and earnings distribution proposal.
(8) Assessment of the appointment and independence of certifying CPAs.
(9) Review of the proposal for earnings distribution or loss compensation.
(10) Other material matters prescribed by the Company or the competent authority.

3. Annual operating status:

(1) If the operation of the Audit Committee meets any of the following conditions, state the date and session of the board meeting, the content of the proposal, the board meeting's resolution, and how the Company has responded to the Audit Committee's opinions.

① Matters listed in Article 14-5 of the Securities and Exchange Act:

Meeting date	Content of the proposal by the Audit Committee	Resolutions not approved by the Audit Committee

<table>
<tr><td></td><td></td><td>but approved by more than 2/3 of all directors</td></tr>
<tr><td rowspan="3">2022.03.10</td><td>1. Assessment of the independence of certifying CPAs and the appointment fees.
2. The Company’s 2021 business report and financial statements.
3. The Company’s 2021 earnings distribution.
4. The Company’s 2021 “Assessment of the Effectiveness of the Internal Control System”.
5. The certifying CPAs of the Company’s financial statements were changed due to the internal organization adjustment of the CPA firm.
6. Partial amendment to the Company’s “Articles of Association”.
7. Partial amendment to the Company’s “Procedures for the Acquisition and Disposal of Assets”.</td><td>No</td></tr>
<tr><td colspan="2">Audit Committee’s resolution: Agreed and passed by all committee members.</td></tr>
<tr><td colspan="2">The Company’s response to the Audit Committees’ opinions: Passed by all attending directors.</td></tr>
<tr><td rowspan="3">2022.05.05</td><td>1. The Company’s 2022 Q1 business report and financial statements.</td><td>No</td></tr>
<tr><td colspan="2">Audit Committee’s resolution: Agreed and passed by all committee members.</td></tr>
<tr><td colspan="2">The Company’s response to the Audit Committees’ opinions: Passed by all attending directors.</td></tr>
<tr><td rowspan="3">2022.08.04</td><td>1. The Company’s business report and financial statements for the first half of 2022.</td><td>No</td></tr>
<tr><td colspan="2">Audit Committee’s resolution: Agreed and passed by all committee members.</td></tr>
<tr><td colspan="2">The Company’s response to the Audit Committees’ opinions: Passed by all attending directors.</td></tr>
<tr><td rowspan="3">2022.11.08</td><td>1. The Company’s business report and financial statements for the first three quarters of 2022.
2. The Company’s 2023 audit plan.
3. Renewal of the Company’s loans from financial institutions upon maturity.</td><td>No</td></tr>
<tr><td colspan="2">Audit Committee’s resolution: Agreed and passed by all committee members.</td></tr>
<tr><td colspan="2">The Company’s response to the Audit Committees’ opinions: Passed by all attending directors.</td></tr>
<tr><td rowspan="2">2022.12.29</td><td>The Company has drawn up a plan to sell out the idle warehouse in Xinwu.</td><td>No</td></tr>
<tr><td colspan="2">Audit Committee’s resolution: Agreed and passed by all committee members.</td></tr>
</table>

	The Company’s response to the Audit Committees’ opinions: Passed by all attending directors.

②Other than those described above, any resolution not passed by the Audit Committee but approved by more than two-thirds of the directors: None.

(2) Independent directors’ avoidance of motions with personal interests involved: state the name of the independent director, the content of the resolution, the reason for avoidance due to personal interests, and the voting result: None.

(3) Communication between the Audit Committee members (independent directors) and the internal audit director and the CPAs:

①The Audit Committee, which is composed of all independent directors in accordance with the Company’s “Organizational Rules for the Audit Committee”, holds regular meetings. The Audit Committee may invite managers of relevant departments, the head of audit, the CPAs or other personnel to attend as nonvoting delegates and provide necessary information.

② Method of communication between the Audit Committee members and the head of internal audit and the CPAs:

A. The head of internal audit meets with the Audit Committee regularly every quarter for reporting and communication with each other on the implementation status of the Company’s internal audit and the operation of the internal control system, and submits the audit report to the Audit Committee for review every month.

B. The appointed CPAs review the financial statements of the Company and issue an audit opinion for the Audit Committee to review.

C. In addition to regularly reporting the implementation status of internal audit to the Audit Committee as a non-voting delegate, the head of internal audit communicates and discusses with independent directors either in person or by telephone, fax or email as required.

(III) Deviation and reasons for deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Has the Company established and disclosed its corporate governance best-practice principles based on the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	✓		1. The Company has formulated its "Corporate Governance Best Practice Principles" 2. Disclosed it on the MOPS and the Company website.	No material deviation.
II. Shareholding structure and shareholders' equity (I) Has the Company created a set of internal procedures to handle shareholders' suggestions, queries, disputes, and litigations and enforced them accordingly?	✓		In addition to the "Rules of Procedure for Shareholders' Meetings", the Company holds shareholders' meetings every year as a channel for regular communication with shareholders; in order to establish a good and timely communication mechanism with investors, the positions of a spokesperson and an acting spokesperson are set up to deal with shareholders' suggestions, doubts and other related matters.	No material deviation.
(II) Does the company have a list of the major shareholders who actually control the company and the final controllers of such major shareholders?	✓		The Company holds a list of shareholders based on the register of shareholders provided by the stock affairs agent, and has a list of final controllers through interaction with the major shareholders.	No material deviation.
(III) Has the Company established and implemented risk management practices and firewalls for its affiliated companies?	✓		The business and financial dealings between the Company and its affiliated enterprises have been executed and controlled in accordance with the relevant regulations of the competent authority.	No material deviation.
(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	✓		In addition to Article 15 of the "Ethical Corporate Management Best Practice Principles" which expressly stipulates that the personnel of the Company shall not engage in insider trading by making use of the unpublished information they have, the Company also established an	No material deviation.
			Operating procedure for the prevention	

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			of insider trading which specifies the matters to be followed by insiders of the Company. The Company irregularly forwards the information publicized by the competent authority to insiders, and irregularly publicizes the relevant regulations and other information to all employees in the monthly meeting.	
III. Composition and responsibilities of the board of directors (I) Does the board of directors formulate diversified policies, and specific management objectives and implementation?	✓		The Corporate Governance Best Practice Principles of the Company clearly stipulates that in the election of directors, consideration shall be given to their diversification and the overall configuration of the board of directors. The members of the board of directors shall generally have the knowledge, skills and accomplishments necessary to perform their duties. The Company also pays attention to gender equality in the composition of the board of directors. The goal is female directors of more than one-third. The diversity of the members of the board of directors of the Company is described as follows: 1. Among the 5 directors, one has the employee status. 2. The Company also pays attention to gender equality in the composition of the board of directors. At present, there are 5 directors, including 2 female directors, accounting for 40%. 3. The members of the current board of directors have rich experience and expertise in commerce, legal affairs, management and other professional fields, and meet the principle of mutual complementarity, in order to improve	No material deviation.
(II) Does the Company	✓			Same as in the summary.

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
voluntarily establish functional committees other than the Remuneration Committee and the Audit Committee?	✓		the Company's operation and achieve the goal of corporate governance. 4. Among the 5 directors, 3 are over 70 years old, and 2 over 60 years old. In addition to the Remuneration Committee and the Audit Committee, the Company has not set up any other functional committees.	No material deviation.
(III) Has the Company established measures for evaluating the performance of the board of directors and the evaluation method? Does the Company conduct performance evaluation annually and regularly, and submit the results to the board of directors for reference on individual director's salary, remuneration, and nomination for reappointment?	✓		On November 5, 2019, the board meeting of the Company approved the "Measures for Performance Evaluation of the Board of Directors", specifying the evaluation period, scope and other matters to be followed, and then conducted performance evaluation of the board of directors and submitted a report to the board meeting on a regular basis every year. For the director with low scores of measurement indicators or the matters recommended for them, a special report will be sent to such directors for their information, so as to serve as a reference for future adjustment or improvement of the operation of the board meeting.	
(IV) Does the Company regularly evaluate the independence of the attesting CPAs?			The Company assesses the independence and competency of its certifying CPAs on its own every year. The most recent assessment was submitted to the audit committee meeting on March 08, 2022 and the board meeting on March 08, 2022 for approval. After verification, the CPAs Su-Wen Lin and Hsuan-Husan Wang of Ernst & Young have not served as directors or managers of the Company, and they are neither interested parties of the Company nor have they received salaries or have investment in or financial	No material deviation.

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			interest sharing relationships with the Company. The assessment results show that they both meet the independence and competency standards of the Company (Note 1), and are qualified to serve as the Company's certifying CPAs.	
IV. Has the TWSE/TPEX listed company allocated an adequate number of competent corporate governance staff and appointed a head of corporate governance to oversee corporate governance affairs (including but not limited to providing directors with the information needed to perform their duties, assisting directors with legal compliance issues, handling board meeting and shareholders' meeting related affairs, and preparing minutes of the board meeting and shareholders' meeting)?	✓		In accordance with Article 3-1 of the "Corporate Governance Best Practice Principles" and Article 5 of the "Rules of Procedure for Board Meeting"s, the Company has designated the Corporate Governance Officer and the Management Department to be responsible for corporate governance and rules of procedure related matters, and its main responsibilities shall at least include: 1. Handling matters related to the board meeting and the shareholders' meeting in accordance with the law. 2. Prepare minutes of the board meeting and the shareholders' meeting. 3. Assisting directors in taking office and continuing their studies. 4. Providing information required by the directors for conducting business. 5. Assisting directors in legal compliance. 6. Other matters stipulated in the Articles of Association or contracts of the Company.	No material deviation.
V. Has the Company provided proper communication channels and created a dedicated section on its website to address corporate social responsibility issues that are of significant concern to stakeholders	✓		The Company has dedicated personnel for its website handling the communicate with stakeholders. In order to understand the expectations of stakeholders on the economic, environmental and social aspects of the Company, we collect opinions from different internal and external channels through questionnaires, the customer	No material deviation.

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(including but not limited to shareholders, employees, customers and suppliers)?			service online mailbox, the shareholders' meeting, etc. as references for the Company to develop management policies in the future.	
VI. Does the Company engage a share transfer agency to handle shareholder meeting affairs?	✓		The Company has appointed a professional stock affairs agency, KGI Securities, for the affairs of the shareholders' meeting.	No material deviation.
VII. Information disclosure				
(I) Has the Company established a website that discloses financial, business, and corporate governance-related information?	✓		The Company has dedicated personnel to disclose such information according to regulations, and the version will be updated in due course.	No material deviation.
(II) Has the Company adopted other means of information disclosure (such as setting up an English website, appointing dedicated personnel responsible for the collection and disclosure of Company information, implementing a spokesperson system, posting the Company's earnings calls on its website, etc.)?	✓		The Company has set up a website, and has dedicated personnel responsible for updating relevant information. The spokesperson will speak on the Company's material issues; the corporate investor briefing files are placed on the Company's website for the convenience of inquiry, and relevant information is announced on the MOPS.	No material deviation.
(III) Does the Company announce and file the annual financial report within two months after the end of each accounting period, and announce and file Q1, Q2		✓	Due to the schedule of preparation and audit of financial statements, the Company has not yet been able to announce and file its annual financial report within two months after the end of the fiscal year. However, based on the principle of information transparency, the	Same as in the summary.

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
and, Q3 financial reports along with monthly business performance before the specified deadlines?			Company has made a public announcement and filed its quarterly financial report and monthly business performance as early as possible before the specified deadline.	
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors, implementation of risk management policies and risk measurements, implementation of customer policy, and liability insurance for directors and supervisors)?	✓		(I) Employee rights and employee care In order to seek sustainable operation and growth, the Company has adopted humanistic management since its inception to give full respect and care to its employees. In addition to handling employee welfare in accordance with the Labor Standards Act and relevant measures, the Company has set up an employee welfare committee to plan and organize various employee welfare matters and strengthen the all-around care for employees. (II) Investor relationship 1. The Company convenes shareholders' meetings every year in accordance with the Company Act and relevant laws and regulations, and gives shareholders ample opportunities to ask questions or make proposals in accordance with the Rules of Procedure for Shareholders' Meetings. 2. In addition, the Company has a spokesperson and an acting spokesperson to properly handle shareholders' suggestions, doubts and disputes. (III) Supplier relationship: The Company has maintained a good relationship with its suppliers.	No material deviation.

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			(IV) Stakeholders' rights and interests The interested parties of the Company can learn about relevant information of the Company through the MOPS or contact the Company directly at any time. (V) "Directors' further study": Please refer to the following (Note 2). (VI) Implementation of risk management policies and risk measurement standards: The Company has formulated various internal regulations according to law to conducted risk management and assessment. (VII) Implementation of customer policies: The Company has maintained a good relationship with customers. (VIII) The Company's purchase of liability insurance for its directors: The Company completed the relevant insurance purchase in May 2022, and the insurance information can be found on the MOPS.	

IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation Results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified.

(I) Improvements already made

Corporate governance evaluation title	Corporate governance evaluation items	Explanation
3.10	Whether the Company's annual report discloses a specific and clear dividend policy	The amendment to the "Articles of Association" was approved by the shareholders' meeting on May 31, 2022.

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	

(II) Priorities and facilities for those that have not been improved

Corporate governance evaluation title	Corporate governance evaluation items	Explanation
1.17	Does the Company have no government agency or sole legal entity or its Subsidiary holds more than one-third of the board of directors?	The Company plans to give priority to the establishment according to regulations

Note 1: Evaluation report on the independence of the CPAs

Factors affecting independence	Yes	No	Evaluation result
1. Having a direct or significant indirect financial interest in the company?		✓	None.
2. Having a material business relationship with the company?		✓	None.
3. Does any member of the audit service team have a potential employment relationship with the company?		✓	None.
4. Has any member of the audit service team served as the Company's director, supervisor, manager or the holder of a position in the past two years that has a significant impact on the audit case?		✓	None.
5. Are there any important items of the non-audit services provided to the company that will have a direct impact on the audit case?		✓	None.
6. Other than the businesses permitted by laws and regulations, has it represented the company in the defense of legal cases or other disputes with third parties?		✓	None.
7. Has it disclosed business secrets without the permission of the company or the competent authority?		✓	None.
8. Has it ever promoted or recommended the stocks or other securities issued by the company?		✓	None.
9. Does any member of the audit service team have a relative relationship with any of the company's directors, supervisors, managers or holders of positions in the past two years that have a significant impact on the audit case?		✓	None.
10. Has any CPA who retired within one year served as a director, supervisor or manager, or held a position of the company that has a significant impact on the audit case?		✓	None.
11. Has any member of the audit service team ever received gifts of significant value or special offers from the company or its		✓	None.

directors, supervisors, managers or major shareholders?			
12. Has the company coerced the members of the audit service team to accept the improper choice of the management in accounting policies, or improper disclosure in the financial statements?		✓	None.
13. Has the company ever exerted pressure on the CPAs to improperly reduce the audit work to be performed in order to reduce public fees?		✓	None.
14. Has the same CPA performed the company's annual audit for seven consecutive years?		✓	Su-Wen Lin: Since the first quarter of 2017 Hsuan-Hsuan Wang: Since the first quarter of 2022

(IV) If the company has a remuneration committee, disclose its composition, duties and operation:

(1) Information of Remuneration Committee members

Identity	Criteria / Name	Professional qualifications and experience (Note 2)	Independence status (Note 3)	Number of positions as Remuneration Committee member in other public companies
Independent Director (convener)	Hui-Chu Lin	See page 15. Schedule (I -2) Director Information	See page 15. Schedule (I -2) Director Information	None
Independent Director	Chen-Yan Lin			None
Independent Director	Tsung-Ming Chung			None

Note 1: Please state in the form the relevant seniority, professional qualifications, experience and independence of each Remuneration Committee members. If an independent director, indicate to refer to the relevant content of Schedule(I -2) Director Information on page 11. In the identity field, please fill in whether the person is an independent director or others (if the person is the convener, please note).

Note 2: Professional qualifications and experience: Describe the professional qualifications and experience of individual members of the Remuneration Committee.

Note 3: Compliance with independence requirements: State whether the members of the Remuneration Committee are independent, including but not limited to whether they themselves, their spouses or relatives within the second degree of kinship are directors, supervisors, or employees of the company or its affiliated enterprises, the number and proportion of shares held by themselves, their spouses or relatives within the second degree of kinship (or in the names of others), whether they are directors, supervisors or employees of any company with a specific relationship with the company (refer to subparagraphs 5 to 8, paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange), and the amount of remuneration obtained from providing business, legal, financial, accounting or other services to the company or its affiliated enterprises in the last two years.

Note 4: For the disclosure method, please refer to the best practice reference example on the website of the Governance Center of the Taiwan Stock Exchange Corporation.

(2) Information on the operations of the Remuneration Committee

I. There are three members on the Remuneration Committee of the Company.
II. Term of office of the current members: From August 7, 2020 to May 27, 2023. The Remuneration Committee held 2 meetings (A), and the names of members and their attendance are as follows:

Position	Name	Number of attendance in person (B)	Number of attendance by proxy	Attendance in person (%) [B/A]	Remarks
(Convener)	Hui-Chu Lin	2	0	100%	
Member	Chen-Yan Lin	2	0	100%	
Member	Tsung-Ming Chung	2	0	100%	
Other mandatory disclosures: I. In the event where the Remuneration Committee's proposal is rejected or amended in a board meeting, state the date and session of the meeting, the contents of the motion, the board meeting's resolution, and how the Company handled the Remuneration Committee's opinions (including the differences and reasons if the board meeting's resolution is more favorable than the proposal by the Remuneration Committee): None. II. Should any committee member objects to or expresses any reservation on the resolution of the Remuneration Committee and there are-records or statements in writing, state the date and session of the meeting, the contents of the motion, all the opinions of the members, and how their opinions are handled: None.					

III. The reasons for discussion and resolution of the Remuneration Committee meeting, as well as the Company's handling of members' opinions in the most recent year and up to the publication date of the annual report are as follows:

Date of meeting	Motion	Resolution	The Company's handling of the Audit Committee members' opinions
February 25, 2022 4th session of the 4th term	1. The Company's 2021 remuneration to directors and managers. 2. Method for the Company's 2021 remuneration to directors and managers. 3. The salary and remuneration of the Chairman and President of the Company.	1. This case was passed without objection by the members present after the chairman's inquiry. Submitted to the board meeting for discussion according to law. 2. This case was passed without objection by the members present after the chairman's inquiry. Submitted to the board meeting for discussion according to law. 3. After review, their salaries are reasonable and within the range of the Company's [Salary Management Rules], and all members present unanimously passed the proposal without objection. Submitted to the board meeting for discussion according to law.	Submitted to the board meeting and passed unanimously by all attending directors.
October 28, 2022 5th session of the 4th term	1. Review the formulation standards and structure of various remuneration items for employees of the Company. 2. 2022 year-end bonus for directors and managers of the Company. 3.Salary adjustment for directors and managers.	1. This case was passed without objection by the members present after the chairman's inquiry. Submitted to the board meeting for discussion according to law. 2. This case was passed without objection by the members present after the chairman's inquiry. Submitted to the board meeting for discussion according to law. 3. After review, their	Submitted to the board meeting and passed unanimously by all attending directors.

		salaries are reasonable and within the range of the Company's [Salary Management Rules], and all members present unanimously passed the proposal without objection. Submitted to the board meeting for discussion according to law.	

(V) Performance of sustainable development and deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.

Item	Actual governance			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
I. Has the company established a governance structure to promote sustainable development, and set up a full-time (part-time) unit to promote sustainable development, which is supervised by the senior management under the authorization of the board meeting? What is the status of supervision of the board meeting ?	✓		In 2015, the Company established a CSR implementation team led by senior executives to integrate the Company's resources, determine the development direction, and promote specific work and other related matters. In order to further strengthen the sustainable development of ESG, the Company will establish the Sustainability and Ethical Corporate Management Committee in 2022 to plan the sustainable development blueprint, development direction and various indicators, and regularly review and track the implementation progress of various indicators, and report to the board meeting to pursue better environmental, social and corporate governance performance.	The Company established the Sustainability and Ethical Corporate Management Committee in 2022. It is in accordance with "Sustainable Development Best Practice Principles" for TWSE/TPEX Listed Companies and no material deviation.
II. Has the Company conducted a risk assessment on environmental, social, and corporate governance issues that are relevant to its operations and implemented risk management policies or strategies based on principles of materiality?	✓		The Company's overall operating conditions are included in the scope of risk management. With the goal of maximizing the interests of investors, the Company tries to prevent possible potential risks, and seeks to improve the overall value of the Company under the balance of risk control and return target. In the environmental aspect: Continuously improve and innovate in the production process and sales activities. Set prevention and control standards, surpass the requirements of environmental protection laws	Same as above.

Item	Actual governance			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			and regulations, and carry out pollution prevention and environmental improvement from a sustainability perspective. In the social aspect: Strengthen publicity and guidance, and require the compliance with ethical conducts by all employees of the Company through the regulations of the "Ethical Corporate Management Best Practice Principles" and the "Employee Work Rules". In the corporate governance aspect: Continue implementing the supervision and checks and balances of the board of directors, strictly abide by the laws and regulations, and operate steadily to achieve the goal of sustainable development of the enterprise.	
III. Environmental issues (I) Has the company set up an appropriate environmental management system	✓		In the environmental aspect: External system: 1. Occupational Safety and Health Act.	Same as above.

Item	Actual governance			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
based on the characteristics of its industry? (II) Is the Company committed to achieving the efficient use of resources and using renewable supplies that produce less impact on the environment? (III) Does the Company evaluate the potential risks and opportunities of climate change to the Company now and in the future, and take countermeasures to respond to climate related issues? (IV) Has the Company prepared statistics on greenhouse gas emissions, water consumption and the total weight of waste for the past two years, and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?	 ✓ ✓ ✓		2. Waste Disposal Act. 3. Air Pollution Control Act. 4. Water Pollution Control Act. Internal system: 1. ISO 9001 Quality Management System. 2. QC 080000 Hazardous Substance Management System: The Company’s main products are sodium hydrosulfite, sodium formaldehyde sulfoxylate, zinc dust, zinc oxide and sodium bisulfite, with a leading position in the manufacturing technology and quality. The main raw materials used are sulfur, liquid caustic soda, soda ash, and Fumeilin. Due to the industrial nature, 100% of the raw materials used by the Company are non renewable. The Company adheres to the guiding principle of “safety first, quality second, and output third”, effectively manages the risks related to climate change and environmental protection laws and regulations, and achieves the goal of saving 1% electricity every year. The Company’s greenhouse gas emissions mainly come from direct emissions from burning heavy oil and purchased electricity. The greenhouse gas emissions in 2021 and 2020 were 7371.49TCO_2e and 6824.99TCO_2e, respectively. In coordination with the electricity saving policy of the Bureau of Energy, Ministry of Economic Affairs, the electricity saving rate in the 2021 electricity saving plan was 1.22%. The average daily water intake of the Company in 2021 and	

Item	Actual governance			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			2020 was about 232 and 264 metric tons, the daily process water recovery was 6.93 and 5 metric tons, the evaporation splash loss was about 75.57 and 47 metric tons, and the water consumption was 84.82 and 93.32 million liters, respectively. In 2021, the total wastewater discharged into the sewage treatment plant was 47.939 million liters. The chemical oxygen demand of the discharged water was 146.79mg/l, and the suspended solids was 3.81mg/l, which is far superior to the control standard of the sewage treatment plant in the industrial zone.	

			Relevant environmental protection laws and regulations are complied with for all production activities in the plant area. In addition, the greening of flowers and trees, and the regular cleaning and dredging of the sediment in the ditches in the plant area are carried out to ensure a smooth drainage system. All such actions are taken to maintain the environment without having the residents outside the industrial zone affected due to the production activities in the plant, so as to achieve the goal of good-neighborliness.	Same as above.
IV. Social issues (I) Has the company formulated relevant management policies and procedures according to relevant laws and regulations and the International Bill of Human Rights? (II) Has the company developed and implemented reasonable employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' salaries? (III) Operating performance or results are also appropriately reflected in the compensation of employees (annual salary adjustment and promotion based on	✓ ✓ ✓		The Company complies with relevant labor laws and regulations, and the appointment, dismissal and remuneration of employees are in compliance with the Company's internal control system management measures to protect the basic rights and interests of employees. The Company knows that employees are the most important assets, so we attach importance to employee welfare. In addition to monthly salary, In principle the Company pays a two month year-end bonus every year, and sets aside a certain ratio of earnings as employee remuneration according to the financial situation. The Company also pays welfare benefits for the three festivals and children's subsidies and scholarships every year, and adjusts salaries from time to time according to the earnings conditions and commodity price level. In addition, the Company grants special leaves to employees in accordance with the Labor Standards Act and the Gender Equality Act, and provides pensions and has a retirement system in accordance with the law. The Company implements industrial safety in accordance with the relevant laws and regulations on safety and health, provides operation instructions, safety and health training for new employees, and conducts regular	

Item	Actual governance			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
performance appraisal). (IV) Has the company implemented an effective training program that helps employees develop skills over the career? (V) For product and service issues related to customer health and safety, customer privacy, marketing and labelling, has the company complied with relevant laws and international standards, and formulated relevant right and interest protection policies and grievance procedures for customers? (VI) Has the company implemented a supplier management policy that regulates suppliers' conduct with respect to environmental protection, occupational safety and health, or work rights/human rights issues, and tracked suppliers' performance on a regular basis?	 ✓ ✓ ✓		health checks for employees. Each department of the Company participates in internal and external training based on the work content to improve professional capabilities. The products of the Company are special industrial chemicals. In order to prevent unscrupulous operators from using the Company's products for food addition, labels are affixed on the product packaging to clearly inform the customers of the product name, hazard sign, hazard warning message and hazard prevention measures, and the food prohibition signs are clearly indicated. In addition to marketing products to other countries in accordance with relevant domestic laws and regulations, the Company also follows the instructions of local customers. The Company has formulated the "Supplier Selection and Management Procedure" to ensure that the third-party suppliers meet the requirements of relevant laws and regulations, and in 2019 the Company will add the queries of whether they employ child labor, whether there have been public security incidents, and whether they have been fined for environmental pollution to serve as the basis for the selection and management of new suppliers.	
V. Does the Company prepare a sustainability report or any report of non-financial information based on international reporting standards or guidelines? Are the abovementioned reports supported by the assurance or opinion of a third-party certifier?	✓		The Company discloses in its annual report and publishes on the MOPS its information related to the sustainability report. The report has also been verified by a third-party impartial unit.	Same as above.

Item	Actual governance			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
VI. If the company has the sustainable development best practice principles formulated in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies," please describe the differences between its operation and the principles: The Company established the Sustainability and Ethical Corporate Management Committee in 2022. It is in accordance with "Sustainable Development Best Practice Principles" for TWSE/TPEX Listed Companies and no material deviation.				
VII. Other information useful to the understanding of the implementation of sustainable development: The systems and measures adopted by the Company for environmental protection, safety and health, community participation, social contribution, and other social activities and their performance are implemented in accordance with the content of the Enterprise Waste Disposal Plan, and relevant disposal matters are reported online in accordance with the law.				
VIII. TWSE Listed Companies discloses the related climate information: not applicable to theituation of the Company.				

Note 1: If "Yes" is checked, please explain the important policies, strategies, measures and implementation; if "No" is checked, please explain the reason and explain the plan to adopt relevant policies, strategies and measures in the future.

Note 2: If the company has prepared a corporate social responsibility report, its operation may be replaced by specifying the method of consulting the corporate social responsibility report and the index page.

Note 3: The principle of materiality refers to those environmental, social and corporate governance issues that have a significant impact on the Company's investors and other stakeholders.

(VI) Performance of ethical corporate management, and deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies:

Item	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Establishment of ethical corporate management policy and proposal				
(I) Has the Company formulated an ethical corporate management policy approved by the Board of Directors, and are the policy and practice of ethical corporate management stated in the Company's regulations and external documents, as well as the commitment of the Board of Directors and the senior management to actively implement the policy?	✓		The Company has formulated the "Ethical Corporate Management Best Practice Principles" in the hope that the Company's personnel implement the policy of ethical corporate management. More details, please browse to the Company website: www.ccwi.com.tw (Investors→Operation Governance)	The Company has formulated the "Ethical Corporate Management Best Practice Principles" and is implementing related regulations.
(II) Whether the Company has established a mechanism for evaluating the risk of unethical conduct, regularly analyzes and evaluates the activities in the scope of business with a higher risk of unethical conduct, and on the basis of this, has formulated a plan to prevent unethical conduct, which covers at least the preventive measures for the conduct set out in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		The Company has formulated relevant management measures, which clearly stipulate that the Company's personnel shall abide by them when engaging in any operating activities.	Same as above.
(III) Has the company formulated in the plan for preventing unethical conducts the operating procedures, conduct guidelines, and	✓			Same as above.

Item	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
disciplinary and complaint systems for violations, and implemented the plan as well as regularly reviewed and amended it?			Other than the "Ethical Corporate Management Best Practice Principles", the Company has other relevant procedures and measures to prevent unethical conducts.	
II. Enforcement of business integrity (I) Does the Company evaluate the ethical records of its counterparties and specify the ethical conduct clauses in the contracts signed with the counterparties? (II) Does the Company have a dedicated unit directly under the board of directors to enforce ethical corporate management? Does this unit report its progress regarding the implementation of the ethical corporate management policy and prevention against unethical conduct to the board meeting on a regular basis (at least once a year)? (III) Does the Company have the policy to prevent conflict of interest, provide appropriate channels for an explanation, and implement it? (IV) Has the company implemented effective accounting and internal control systems to enforce ethical corporate management? Has the internal audit unit been assigned to devise audit	✓ ✓ ✓ ✓		In case of any unethical conduct of suppliers or customers, the Company will suspend all transactions with them. The Company officially established the Sustainability and Ethical Corporate Management Committee in 2022, which takes charge of related matters and reports to the board meetings regularly. The latest report date is August 4, 2022. Although the Company has not set up a dedicated unit under the board of directors, it can inform units of all levels at any time through the managers and control systems and procedures of the Company. So far, no unethical conduct has occurred. The Company's website and mailbox have appropriate channels for	Same as above.

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Actual governance</th><th rowspan="2">Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>plans based on the assessment results of unethical conduct risks, and to audit employees' compliance? Or is a CPA appointed to conduct the audit?
(V) Does the company regularly hold internal and external training on ethical corporate management?</td><td>

✓</td><td></td><td>statements, and special personnel are assigned to handle them to prevent conflicts of interest.
The accounting system and internal control system of the Company comply with the relevant laws and regulations of public companies and operate effectively; reports are also submitted to the board meeting on a regular basis.

The Company continues promoting the corporate ethical corporate management culture through various meetings.</td><td></td></tr>
<tr><td>III. Whistleblowing system
(I) Has the Company set up a specific whistleblower reporting and reward system and a convenient reporting channel, and designated appropriate personnel to deal with the reported matters?
(II) Has the Company formulated standard operating procedures for the investigation of the accused matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms?</td><td>
✓

✓</td><td></td><td>The Company's "Employee Work Rules" have provisions on rewards and punishments. For violations of rules and regulations and infringements of the Company's interests, different punishments will be given according to the circumstances. The communication channel of internal staff's opinions is smooth; For complaints and accusations of violations of ethical corporate management regulations, the accepting unit has the obligation to keep confidential the</td><td>Same as above.</td></tr>
</table>

Item	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(III) Whether the Company takes measures to protect whistleblowers from being improperly handled due to reporting?	✓		information of the whistleblower and shall not disclose it. The Company has taken measures to protect whistleblowers from being improperly treated.	
IV. Enhanced information disclosure Has the Company disclosed its integrity principles and progress onto its website and MOPS?	✓		The Company has set up a website and discloses relevant information for investors' reference. In addition to the establishment of communication channels. Moreover, announcements on the MOPS by the spokesperson, the Company discloses relevant information on its website.	Same as above.
V. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", please describe its current practices and any deviations from the Best Practice Principles: The Company has formulated the "Ethical Corporate Management Best Practice Principles" and are implementing them accordingly.				
VI. Other important information that helps to understand the company's ethical corporate management operation (such as the company's review and amendment of its ethical corporate management policy): 1. The directors shall avoid according to law any proposal in which they have a personal interest. 2. The Company's "Internal Material Information Processing Procedure" expressly stipulates that directors, managers and employees shall not disclose any internal material information they have learned, and shall not disclose any unpublished information of the Company to others if they become aware of it due to their business roles.				

(VII) If the Company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed:
The Company's third board meeting of the 22nd term approved the Corporate Governance Best Practice Principles. Relevant regulations can be found in the "Corporate Governance" under the "Investor Zone" on the Company's website at http://www.ccwi.com.tw.

(VIII) Other important information which may enhance the understanding of the Company's corporate governance

1. The Company timely discloses its material information.
2. The Company's third board meeting of the 22nd term approved the "Corporate Governance Best-Practice Principles" and the "Ethical Corporate Management Best Practice Principles".
3. Further study and training related to corporate governance participated by managers
   The further study and training in 2022 related to corporate governance which the Company participated in are as follows:

Position	Name	Course name	Date	Organizer	Training hours
President	C.C. Hung	● 2022 Promotion of Insider Trading Prevention	2022.06.10 2022.10.14	Securities and Futures Institute	3 hours 3 hours
Head of Audit	Shu-Chen Tsai	● Debate on Data Processing, Analysis Practice and Application of Hub Analysis ● Reading, Analysis and Application of Financial Statements	2022.04.12 2022.09.23	The Institute of Internal Auditors	6 hours 6 hours
Head of Accounting	Jin-Hua Hsu	● IFRS report and ESG relevant information disclosure ● How to effectively deploy function of the Corporate Governance Officer - also discuss the legal responsibilities of brokers ● Practical case of breach of trust and analyze the Legal liability ● Create new corporate value with ESG	2022.09.26 2022.09.27	Accounting Research and Development Foundation of the R.O.C.	12 hours

(IX) Implementation of the internal control system:

1. Declaration of Internal Control System

Cathay Chemical Works Inc.

Declaration of Internal Control System

Date: March 8, 2023

The following declaration is made based on the 2022 self-assessment of the Company's internal control system:

I. The Company is aware that establishing, implementing and maintaining an internal control system is the responsibility of the Company's board of directors and managers, and the Company has already established this system. The purpose is to provide reasonable assurance of the achievement of objectives such as the effectiveness and efficiency of operations (including profitability, performance and asset security, etc.), as well as the reliability, timeliness, and transparency of reporting and compliance with relevant laws and regulations.

II. An Internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance of the achievement of the three objectives above; moreover, the effectiveness of the internal control system may change in accordance with changes in the environment and circumstances. However, the internal control system of the Company features a self-monitoring mechanism that enables immediate rectification of deficiencies upon discovery.

III. The Company judges the effectiveness of the design and implementation of its internal control system in accordance with the criteria of the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria of the internal control system adopted in the "Regulations" are based on the process of managerial control, and the internal control system is divided into five components: 1. control environment, 2. risk evaluation, 3. control operations, 4. information and communication, and 5. supervision operations. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for details.

IV. The Company has adopted the aforementioned criteria of the internal control system to evaluate the effectiveness of the design and implementation of its internal control system.

V. Based on the assessments described above, the Company considers its internal control system's design and execution to be effective as of December 31, 2022. This system (including supervision and management of subsidiaries) has assured the achievement of the Company's goals, including the understanding of the operation effect and the degree to which the efficiency goal is achieved, and the report's reliability, timeliness and transparency, and the design and implementation of the internal control system in compliance with the relevant norms and relevant laws and regulations are effective.

VI. This declaration constitutes part of the Company's annual report and prospectus and shall be disclosed to the public. Any illegal misrepresentation or omission in the public statement above is subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This declaration was approved by the board meeting held on March 8, 2023; all of the five attending directors agreed to the contents of this declaration.

Cathay Chemical Works Inc.

Jou-Er, Ing, Chairperson

C.C. Hung, President

2. If a CPA is entrusted to review the internal control system, disclose the result of the review: None.

(X) Penalties imposed on the company and its insiders in accordance with the law, or penalties by the Company on its insiders for violations of the internal control system in accordance with the law in the most recent year up to the publication date of the annual report; describe the major deficiencies and improvement status: None.

(XI) Major resolutions passed in shareholder meetings and board of directors meetings held in the last year up until the publication date of the annual report

Date of meeting	Important resolutions of the board meeting	Execution
2022.5.31	1. Recognition of the 2021 business report and financial statements. 2. Recognition of the 2021 earnings distribution scheme. 3.Recognition of the amendment for Article of Association. 4.Recognition of the amendment for "Procedures for the acquisition or disposal of assets."	August 12, 2022, was set as the ex-dividend date, and August 25, 2022, as the dividend distribution date. (cash dividend of NT$0.85 per share) June 08, 2022, received permission from the Ministry of Economic Affairs to submit and announce on the Company website. June 01, 2021, published on the Company website and executed according to the revised procedure.

Date of meeting	Important resolutions of board meetings
2022.03.10	Discussions (I) Items for continued discussion from the last meeting: None. (II) Items for discussion at this meeting. 1. Assessment of the independence of certifying CPAs and the appointment fees. 2. Approval of the Company's 2021 directors' and employees' remuneration distribution plan and the distribution method of directors' and managers' remuneration. 3. Approval of the Company's 2022 adjustment of remuneration to the Chairman and managers. 4. Approval of the 2021 business report and financial statements. 5. Approval of the 2021 earnings distribution scheme. 6. Approval of the 2021 "Declaration of Internal Control System". 7. Approval of the 2022 business plan overview. 8. Approval of partial amendments to the Company's "Articles of Association". 9. Approval of partial amendments to the Company's "Procedures for the Acquisition and Disposal of Assets". 10. Approval of the date, place, reasons, acceptance of proposals and other related matters of the Company's 2022 general shareholders' meeting. Execution status: All discussion items listed above were executed according with the meeting conclusion.

2022.05.05	Discussions (I) Items for continued discussion from the last meeting: None. (II) Approval of the business report and financial statements for the first quarter of 2022. (III) Approval of the “Organizational Rules for the Sustainable and Ethical Corporate Management Commission”. (IV) Approval of the members of the Sustainable and Ethical Corporate Management Commission. (V) Approval of the revision of the Company’s “Organization Chart”. (VI) Approval of the “liability insurance” for directors and important staff. (VII) Approval of President C.C. Hung as the Manager of Administrative Department and the spokesperson. Execution status: All discussion items listed above were executed according with the meeting conclusion.
2022.08.04	Discussions (I) Items for continued discussion from the last meeting: None. (II) Items for discussion at this meeting. Approval of the Company’s business report and financial statements for the first half of 2022. Execution status: All discussion items listed above were executed according with the meeting conclusion.
2022.11.18	Discussions (I) Items for continued discussion from the last meeting: None. (II) Approval of the related revision of each remuneration item, such as policies, systems, standards, structure, etc. And approval of the plans for distribution of the 2022 year-end bonus. (III) Approval of the revision of the formulation standards and structure of the remuneration of directors and managers of the Company, and the distribution of the 2023 year-end bonus. (IV) Approval of the Company’s business report and financial statements for the former three quarters of 2022. (V) Approval of the Company’s 2023 audit plan. (VI) Approval of the revisions of some clauses from “the Board Meeting Regulations” (VII) Approval of the formulation of “Procedures for Handling Material Inside Information and Prevention of Insider Trading” (VIII) Approval of the revisions of the Company’s “ Internal Audit System”. (IX) Approval of the application of a short term financing line from the Shanghai Commercial and Savings Bank. (X) Approval of the Company’s renewal financing line from the Shanghai Commercial and Savings Bank. Execution status: All discussion items listed above were executed according with the meeting conclusion.

2022.12.29	Discussions Approval of the plan to sell out the idle warehouse in Xinwu. Execution status: The discussion items listed above was actively handle according with the meeting conclusion.

(XII) The main contents of directors' or supervisors' objections with records or statements in writing on major board resolutions in the most recent year up to the publication date of the annual report: None.

(XIII) Summary of resignations and dismissals of the Company's key personnel (including the chairman, president, accounting director, internal audit director, and research and development director) during the most recent fiscal year and up to the publication date of the annual report: None.

V. CPA Fees:

CPA Fees

Unit: NT$ thousand

Name of accounting firm	Name of CPA	Period of audit service	Audit fees	Non-audit fees	Total	Remarks
Ernst & Young Taiwan	Hsuan-Hsuan Wang	2022/01/01~2022/12/31	1,660	180	1,840	
	Su-Wen Lin					

(I) Disclosure of audit fees, non-audit fees, and details of non-audit services, if the sum of non-audit fees paid to the CPA, accounting firm, and affiliated companies amount to more than one-quarter of total CPA remuneration:

Unit: NT$ thousand

CPA firm	Name of CPA	Audit fees	Non-audit fees					Period of audit service	Remarks
			System design	Business registration	Human resources	Others	Subtotal		
Ernst & Young Taiwan	Hsuan-Hsuan Wang	1,660				180	180	2022	Non-audit fee - CSR Report
	Su-Wen Lin								

(II) For any change of accounting firm that resulted in a reduction of the audit fee from the previous year, disclose the audit fees before and after the change and the cause of such change: Not applicable.

(III) For any reduction in audit fee by more than 15% compared to the previous year, state the amount, percentage and reason of such variation: Not applicable.

VI. Information on the replacement of CPAs: None.

VII. If any of the company's chairman, president, or financial or accounting managers was employed by the CPA firm or any of its affiliated company within the most recent year; disclose the name, job title, and the period of employment at the CPA firm or any of its affiliated company: None.

VIII. Details of shares transferred or pledged by directors, supervisors, managers, and shareholders with more than 10% shareholding in the last year up to the publication date of the annual report: None.

(I) Changes in shareholdings of directors, managers and major shareholders:

Position	Name	2022		As March 31, 2023	
		Increase (decrease) in shareholding	Increase (decrease) in shares pledged	Increase (decrease) in shareholding	Increase (decrease) in shares pledged
Directors	Heng Chang Investment Corp.	0	0	0	0

Major shareholders	Chungcheng Investment Co., Ltd.	0	0	0	0
Major shareholders	Litai Investment Co., Ltd.	0	0	0	0
Chairman	Jou-Er, Ing	0	0	0	0
President	C.C. Hung	0	0	0	0
Vice President	Geng-Sheng Jin	0	0	0	0

(II) Equity transfer and pledge: No such situation as of March 31, 2023.

IX. Information on the top ten shareholders who are related persons, spouses or relatives within the second degree.

<u>Information on the top ten shareholders who are related persons</u>

April 23, 2023

Name	Shareholdings of the Principal		Shareholding of spouse and underage children		Shares held in the name of others		The title or names and relationships of the top-ten shareholders who are related parties, spouse, and relatives within the second degree of kinship as defined in the R.O.C. Financial Accounting Standards No. 6 should be disclosed		Remarks
	Shares	Shareholding percentage %	Shares	Shareholding percentage %	Shares	Shareholding percentage %	Name	Relation	
Chungcheng Investment Co., Ltd.	22,133,942	14.66	-	-	-	-	Jou-Er, Ing, Chairperson		
Heng Chang Investment Corp.	19,534,906	12.94	-	-	-	-	Jou-Er, Ing, Chairperson		
Jou-Er, Ing, Representative	-	-	-	-	-	-			
C.C. Hung, Representative	-	-	-	-	-	-			
Litai Investment Co., Ltd	15,956,550	10.57	-	-	-	-	Jou-Er, Ing, Chairperson		
Chun-Cheng Su	14,125,000	9.36	-	-	-	-	A relative within the second degree of Shu-Yi Su		
Reward Wool Industry Corporation	10,655,428	7.06					Jou-Er, Ing, Chairperson		
Shu-Yi Su	4,757,000	3.15	-	-	-	-	A relative within the second degree of Chun-Cheng Su		
Ching-Hsiu Huang	2,904,000	1.92							
Ai-Chen Chen	2,609,000	1.73							
C.C. Hung	1,652,000	1.09	-	-	40,000	0.03	-		
Hsiao-Yuan Yang	1,603,000	1.06	-	-			-		

X. Shares in the same reinvested company jointly held by the company, the company's directors, managers and enterprises directly or indirectly controlled by the company, and the aggregate shareholding ratio of these parties.

Aggregate shareholding percentage

Business investments	Held by the Company		Investment of directors, managers and enterprises directly or indirectly controlled by the company		Aggregate ownership	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
Taiwan Puritic Corp.	18,135 thousand shares	29.83%	-	-	18,135 thousand shares	29.83%

Four. Capital Overview

I. Capital and outstanding shares

1. Sources of share capital

Unit: share/NT$

Year/Month (Note 12)	Issued price	Authorized capital		Paid-up capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of share capital	Paid in properties other than cash	Others
1962.12	10	700,000	7,000,000	700,000	7,000,000	Share capital at establishment	None	
1965.04	10	1,000,000	10,000,000	1,000,000	10,000,000	Capital increase in cash	None	
1967.05	10	1,400,000	14 000,000	1,400,000	14 000,000	Capital increase in cash	None	
1970.06	10	2,800,000	28,000,000	2,800,000	28,000,000	Capital increase in cash	None	
1976.12	10	4,200,000	42,000,000	4,200,000	42,000,000	Capital increase in cash and capital increase from earnings	None	
1978.09	10	8,400,000	84,000,000	8,400,000	84,000,000	Capital increase in cash	None	
1980.08	10	21,000,000	210,000,000	21,000,000	210,000,000	Capital increase in cash	(Note 11)	
1986.03	10	31,000,907	310,009,070	31,000,907	310,009,070	Capital increase in cash	None	
1989.01	10	42,161,233	421,612,330	42,161,233	421,612,330	Capital increase from earnings	None	Note 1
1990.12	10	63,632,400	636,324,000	63,632,400	636,324,000	Capital increase from earnings	None	Note 2
1992.01	10	82,500,000	825,000,000	82,500,000	825,000,000	Capital increase in cash and capital increase from earnings	None	Note 3
1994.08	10	91,150,000	911,500,000	91,150,000	911,500,000	Capital increase from earnings	None	Note 4
1995.08	10	100,410,000	1,004,100,000	100,410,000	1,004,100,000	Capital increase from earnings	None	Note 5
1996.08	10	110,611,000	1,106,110,000	110,611,000	1,106,110,000	Capital increase from earnings	None	Note 6
1997.08	10	122,099,100	1,220,991,000	122,099,100	1,220,991,000	Capital increase from earnings	None	Note 7
1998.07	10	134,886,200	1,348,862,000	134,886,200	1,348,862,000	Capital increase from earnings	None	Note 8
1999.07	10	140,622,900	1,406,229,000	140,622,900	1,406,229,000	Capital increase from earnings	None	Note 9
2000.07	10	150,951,700	1,509,517,000	150,951,700	1,509,517,000	Capital increase from earnings	None	Note 10

Note 1: (77) Tai-Tsai-Cheng (I) No. 09631
Note 2: (79) Tai-Tsai-Cheng (I) No. 03292
Note 3: (80) Tai-Tsai-Cheng (I) No. 02815
Note 4: (83) Tai-Tsai-Cheng (I) No. 27234
Note 5: (84) Tai-Tsai-Cheng (I) No. 32754
Note 6: (85) Tai-Tsai-Cheng (I) No. 35068
Note 7: (86) Tai-Tsai-Cheng (I) No. 43811
Note 8: (87) Tai-Tsai-Cheng (I) No. 49256
Note 9: (88) Tai-Tsai-Cheng (I) No. 50968
Note 10: (89) Tai-Tsai-Cheng (I) No. 50666
Note 11: Advance receipts transferred to capital increase of NT$116,872,000
Note 12: Date of approval of change registration due to capital increase

Share category	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered ordinary shares	150,951,700 shares	-	150,951,700 shares	

Note: The registered ordinary shares above are the shares of listed companies.

Information related to the general declaration system: N/A

2. Shareholder structure

March XX, 2023

Shareholder structure / Count	Government agency	Financial institution	Other institutional entities	Individual	Foreign institutions and foreigners	Total
Number	-	-	142	24,154	34	24,330
No. of shares held	-	-	68,810,521	76,641,402	5,499,777	150,951,700
Shareholding percentage	-	-	45.58	50.78	3.64	100

3. Diversification of shareholding

NT$10 per share

March XX, 2023

Shareholding range	Shareholder count	No. of shares held	Shareholding percentage %
1 to 999	21,046	1,234,946	0.82
1,000 to 10,000	2,722	7,334,062	4.87
10,001 to 20,000	209	3,181,945	2.11
20,001 to 30,000	98	2,476,578	1.64
30,001 to 40,000	50	1,743,099	1.15
40,001 to 50,000	30	1,408,225	0.93
50,001 to 100,000	77	5,848,362	3.87
100,001 to 200,000	38	5,398,754	3.58
200,001 to 400,000	28	8,066,800	5.34
400,001 to 600,000	7	3,281,764	2.17
600,001 to 800,000	4	2,748,000	1.82
800,001~1,000,000	3	2,957,000	1.96
More than 1,000,001	18	105,262,165	69.74
Total	24,330	150,951,700	100.00

4. List of major shareholders (top ten shareholders in terms of equity ratio)

April 23, 2023

Name of major shareholder \ Shares	No. of shares held	Shareholding percentage %
Chungcheng Investment Co., Ltd.	22,133,942	14.66
Heng Chang Investment Corp.	19,534,906	12.94
Litai Investment Co., Ltd.	15,956,550	10.57
Chun-Cheng Su	14,125,000	9.36
Reward Wool Industry Corporation	10,655,428	7.06
Shu-Yi Su	4,757,000	3.15
Ching-Hsiu Huang	2,904,000	1.92
Ai-Chen Chen	2,609,000	1.73
C.C. Hung	1,652,000	1.09
Hsiao-Yuan Yang	1,602,000	1.06

5. Information on the market price, net worth, earnings and dividend per share for the last 2 years

Item \ Year			2020	2021	Current year up to April 23, 2023
Market price per share (Note 1)	Highest		NT$26.95	NT$25.70	30.20
	Lowest		NT$18.50	NT$22.60	24.75
	Average		NT$23.51	NT$24.29	27.00
Net worth per share (Note 2)	Before dividend		NT$16.07	NT$17.13	-
	After dividend		NT$15.21	(Note 7)	-
Earnings per share	Weighted average outstanding shares		150,952 thousand shares	150,952 thousand shares	150,952 thousand shares
	Earnings per share (Note 3)		NT$1.04	NT$1.89	-
Dividends per share	Cash dividends		NT$0.85	(Note 7)	-
	Stock dividend	Earnings distribution	-	-	-
		Capital surplus	-	-	-
	Cumulative undistributed dividends		-	-	-
Analysis of investment returns	P/E ratio (Note 4)		21.77	12.80	-
	P/D ratio (Note 5)		26.64	(Note 7)	-
	Cash dividend yield (Note 6)		0.04	(Note 7)	-

Note 1: List the highest and lowest market prices of ordinary shares in each year, and calculate the average market price of each year according to the transaction value and trading volume of each year.

Note 2: Fill in based on the number of shares issued as of the end of the year, and according to the distribution resolution of the shareholders' meeting of the next year.

Note 3: If there is a retroactive adjustment due to circumstances such as stock dividend, list the earnings per share before and after the adjustment.

Note 4: P/E ratio = average closing price per share of the current year/earnings per share.

Note 5: P/D ratio = average closing price per share of the current year/cash dividend per share.

Note 6: Cash dividend yield=cash dividend per share/average closing price per share of the current year.

Note 7: The shareholders' meeting has not been held, so it is not filled in.

6. Dividend policy and execution status

(1) Dividend policy

It is long-term financial planning in line with future development plans, with the goal of sustainable operation, and taking care of the interests of shareholders, while considering the investment environment and working capital needs. The total amount of dividends and bonuses distributed to shareholders each year shall not be less than 40% of the balance of the current year's earnings after paying taxes, making up the cumulative loss, and setting aside reserves. However, when the accumulated distributable earnings are less than 5% of the paid in capital, distribution may not be carried out. Dividends and bonuses to shareholders may be distributed in cash or stock, of which the cash dividend shall not be less than 50% of the total dividends.

(2) Execution status

The general shareholders' meeting (scheduled to be held on June 21, 2023) will discuss the 2022 earnings distribution plan of the Company proposed by the board of directors: cash dividends of NT $1 per share. After the resolution of the shareholders' meeting, the Chairman is authorized to set a distribution base date, distribution date and other related matters.

(3) Expected significant changes in dividend policy: None.

7. The impact of the proposed stock dividend at the shareholders' meeting on the Company's operating results and earnings per share: None.

8. Employees' and directors' remuneration

(1) If the Company makes a profit in the year, it shall set aside not less than 5% as employees' remuneration and not more than 1% as directors' remuneration. The so-called profit refers to the profit before tax after deducting the distribution of employees' remuneration and directors' remuneration. However, profits must first be taken to offset cumulative losses, if any.

The employees' remuneration referred to in the preceding paragraph may be in stock or cash, but the directors' remuneration may only be in cash.

(2) Basis for estimating the employees' remuneration and directors' remuneration and for calculating the number of shares allocated as stock dividends, and the accounting treatments for any discrepancies between the amounts estimated and the amounts actually paid:

For estimating employee profit sharing, directors' remuneration, and stock dividends, when accounting treatments for any discrepancies between the amounts estimated and the amounts paid, the discrepancies will become a change in accounting estimates listed as profit and loss for the year of shareholder meeting resolution.

(3) Remuneration approved by the board meeting:

1. Employees' and directors' remuneration paid in cash or stock. If the amount differs from the amount estimated in the year in which the expense is recognized, disclose the difference, the reason, and the treatment: None.
2. The amount of employee remuneration distributed in stock and its proportion to the total after-tax net income and total employee remuneration in the current individual or respective financial report: None.

(4) Actual payment of employees' and directors' remuneration in the previous year; if there are differences from the amounts estimated, state the amounts, the reasons and the treatment: None.

9. Buyback of company shares: None.

II. Corporate bonds, preferred shares, overseas depositary receipts, employee stock option certificates and new shares with restricted employee rights: None.

III. New shares issued for merger or acquisition or share swaps with other companies: None.

IV. Execution of fund utilization plan: None.

Five. Operational Overview

I. Business activities

(I) Scope of business:

1. The main businesses of the Company are as follows:
   001. C801010 Basic Industrial Chemical Manufacturing
   002. F107200 Wholesale of Chemistry Raw Material
   003. F207200 Retail sale of Chemistry Raw Material
   004. CB01010 Machinery and Equipment Manufacturing
   005. C802100 Cosmetics Manufacturing
   006. F108040 Wholesale of Cosmetics
   007. F208040 Retail Sale of Cosmetics
   008. F401010 International Trade
   009. C201010 Prepared Animal Feeds Manufacturing
   010. F103010 Wholesale of Animal Feeds
   011. F202010 Retail sale of Animal Feeds
   012. ZZ99999 Businesses that are not prohibited or restricted by law, except those that are subject to special approval.
2. Business proportions (%)
   The business proportions of the Company's products in 2022 are as follows:

Product	Business profit	Ratio
Sodium Hydrosulfite	NT$75,065 thousand	13.14%
Zinc oxide	NT$240,220 thousand	42.04 %
Sodium formaldehyde sulfoxylate	NT$165,541 thousand	28.97 %
Sodium bisulfite	NT$88,698 thousand	15.52 %
Others	NT$1,934 thousand	0.33 %

3. Concurrent product of the Company:

Product	Explanation
Sodium Hydrosulfite	This product can be used as a dyeing agent for textiles and bleach for pulp.
Zinc oxide	This product can be used as a toughening accelerator for rubber, ceramic and other products, as well as booster flux in the electronics industry.
Sodium formaldehyde sulfoxylate	This product can be used as a polymerizer for synthetic rubber and ABS plastics, as well as a stable reductant for high temperature printing and dyeing.
Sodium bisulfite	This product is for industrial use, and is widely used as a dechlorination agent in the textile industry, as well as an industrial wastewater treatment agent and a tanning chemical agent.
Zinc dust	This product can be used as a rust inhibitor and chemical reductant in the paint industry.

(II) Industry overview

1. Current and future industry prospects:

As the international prospect is still unclear, in addition to the continuous R&D and improvement of the existing production process, the Company continues improving its production efficiency for break-throughs and improvement, so as to reduce the production cost and produce more affordable and high-quality products to enhance the Company's competitiveness.

2. Relationships between upstream, midstream, and downstream industry participants:

The raw materials supplied by upstream manufacturers are processed by the Company into finished products for sale to the downstream industry. The special chemicals of the Company have a wide range of industrial applications, and the main items are as follows:

Name	Applications
Sodium hydrosulfite ($Na_2S_2O_4$)	A strong bleaching and dyeing auxiliary for pulp bleaching and textile dyeing and finishing.
Calcined zinc oxide (ZnO)	A flux for making enamel and glass. A trace element used in electronic products and animal feed additives to promote growth.
Zinc oxide (ZnO)	A rubber sulfur accelerator. A cosmetic sunscreen and whitening agent. A photoelectric conductivity enhancer for electronic industry.
Sodium formaldehyde sulfoxylate ($NaHSO_2$ CH_2O $2H_2O$)	A polymeric agent of synthetic rubber and ABS plastics. A stable qualitative reductant for high temperature printing and dyeing. An oxygen inhibitor for oil drilling.
Sodium meta bisulfite ($Na_2S_2O_5$)	An industrial wastewater treatment agent and tanning chemical agent.
Zinc dust	A rust inhibitor and chemical reducing agent for the paint industry.
Full blanc, a derivative of low sodium sulfite.	A bleaching agent for wool, silk, vegetable fiber, man-made fiber and polyamine fiber.

3. Product development trends and competition:

Due to the fact that the downstream manufacturers are subject to environmental protection, labor and low price dumping in the mainland and Southeast Asian countries and other factors, the industry of sodium hydroxide is not making any progress. Due to the high international zinc ingot price, the cost fluctuation has a great impact and the sales growth of zinc oxide is slowing down.

(III) Technology and R&D overview

1. The Company continues to research and improve the production technology of the existing products, with a view to saving energy, reducing waste and increasing the production rate, in response to the fluctuations in international prices of zinc ingots,

caustic soda and other major raw materials, hoping to better reduce production costs and facilitate operation.

2. The existing products of the Company are mostly additives for reducing purposes. Recently, the Company has begun to develop additives for oxidative purposes in plasticizing. At present, the laboratory has completed the development, and trial produced small samples in the experimental workshop to send to downstream manufacturers for trial use, so as to fine tune the quality to meet customer requirements. The series of products will be used as initiators, catalysts, cross-linking agents and bleaching agents for the polymerization of plastic products. Three types of products have been trial produced, and the factory construction and production evaluation was carried out. After the evaluation, it is considered that the raw materials are not easy to obtain and the price fluctuates too much, so the development has been postponed.

(IV) Long and short-term business development plans:

1. Short-term business development plan
    1. Improve product quality and efficiency, so as to reduce costs and enable customers to obtain cheap but high-quality products.
    2. Produce exquisite and high-quality products, and occupy a market place by virtue of excellent technical support, accurate delivery date, reasonable price, satisfactory after-sales service and low price products.
2. Long-term business development plan
    1. Improve the customer's perfect after-sales service, establish a full sense of trust, and then facilitate the sales of related products.
    2. Actively develop the sales of products for industrial demand in dyeing and finishing, electronics, steel, plastics, food, etc.
    3. Have customers deeply agree with our product concepts of "quality first" and "service first".
    4. Make "customer satisfaction is our responsibility" as the working principle of all employees.

II. Market and sales overview

(I) Market analysis

1. Sales areas of major products

In addition to meeting the needs of the domestic market, the Company in recent years has been actively expanding export markets for its main products, which are sodium hydrosulfite, sodium formaldehyde sulfoxylate and zinc oxide dust. The export markets are throughout Southeast Asia, Japan, the United States, South Korea, Australia and Europe.

2. Market share, future supply and demand, and growth

The Company's main products are of good quality and a reputation has long been established; they have long-term domestic users, and the foundation is stable. In terms of export, the brand Cathay created by the Company has been recognized internationally, and its quality as well as cost are internationally competitive.

3. Competitive niche and favorable and unfavorable factors for future development, and

countermeasures

(1) Competitive niche

Self transcendence - continuous improvement and innovation in the process, products and service activities.

Satisfy customers - meet customer needs, attach importance to customer satisfaction, and establish good communication channels.

Maintain reputation - uphold integrity and maintain goodwill with a strict quality assurance system (ISO9001:2008).

Be responsible for the environment - prevent pollution and improve the environment in a sustainable way, and obtain QC080000 certification on hazardous substance management.

Surpass the requirements of laws and regulations - always set prevention and control standards above the central and local environmental protection laws and regulations.

(2) Favorable factors

The Company has successfully tapped into the export market of exquisite products with high added value, and has high hopes for the development prospect.

(3) Unfavorable factors

After both Taiwan and China entered the WTO, the full opening of the domestic market has made the market competition increasingly fierce.

The impact of COVID-**19** and the continuous erosion by low price goods from China have made the domestic market shrink.

The raw material supply chain is in crisis due to the Ukraine Russia war and the cargo port blockade.

(4) Countermeasures

Strengthen marketing strategies and efforts to meet more and greater challenges.

Continue strengthening the research and development of production technology, and improve the technical level, so as to improve the quality and production efficiency; continue researching the technical efficiency, so as to truly achieve technological leadership and strengthen the competitive advantage.

(II) Main product applications and production processes:

1. Sodium hydrosulfite:
   It is used as a dyeing agent for textiles and bleach for pulp. Zinc dust is used as the main raw material, and white crystal is formed through reaction, evaporation, drying and other processes.
2. Zinc oxide:
   It is used as a toughening accelerator for rubber, electronic and ceramic products. Zinc is used as the main raw material, and it is formed into powder after high-temperature distillation, oxidation or chemical treatment.
3. Sodium formaldehyde sulfoxylate:
   A polymeric agent of synthetic rubber and ABS plastics. Zinc dust is used as the main raw material, and a white block is formed through reaction, filtration, concentration and solidification.
4. Sodium bisulfite
   It is used as a dechlorination agent for wastewater treatment, the leather industry and the textile industry.

(III) Supply of main materials

Sources of main materials are as follows:

1. Zinc ingots - imported mainly from Australia and South Korea.

2. Liquid caustic soda - supplied by domestic manufacturers.
3. Sulfur- purchased domestically.

• The improted Zinc ingots belong to bulk goods which purchased through trading agents from the daily auction trading price of the London Metal Exchange, and shipped to the port according to the shipping schedule. Generally speaking, they can be fully supplied without a fear of shortage; However, the purchase and transportation cost is greatly affected by the fluctuation of international market.

• For the sulfur and liquid caustic soda purchased domestically, the Company has long-term supply contracts for an unlimited supply.

(IV) Customers who accounted for more than 10% of total purchase (sales) in the last two years

1. Customers who accounted for more than 10% of the total sales in the last two years:

Item	2021				2022			
	Name	Amount	As a percentage of total purchase for the year	Relationship with the issuer	Name	Amount	As a percentage of total purchase for the year	Relationship with the issuer
1	1CG188	63,599	10.18	None	-	-	-	-
2	Others	561,000	89.82	None	-	-	-	-
	Net sales	624,599	100	-	-	-	-	-

2. Customers who accounted for more than 10% of the total purchase in the last two years are as follows:

Unit: NT$ thousand

Item	2021				2022			
	Name	Amount	As a percentage of total purchase for the year	Relationship with the issuer	Name	Amount	As a percentage of total purchase for the year	Relationship with the issuer
1	AKKORA	151,874	27.58	None	AKKORA	138,140	33.56	None
2	OASUNM	99,678	18.10	None	OASUNM	66,099	16,06	None
3	AAANHU	60,941	11.07	None	Others	207,385	50.38	-
4	Others	238,079	43.25	None				
	Net purchase	550,572	100	-	Net purchase	411,624	100	

Reasons for the change: Mainly due to trading terms.

(V) Production volume and value in the last two years:

Unit: emtric ton, NT$ thousand

Year / Production volume andvalue / Main product (or by department)	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Sodium Hydrosulfite Zinc oxide Sodium formaldehyde sulfoxylate Sodium bisulfite	33,000	16,386	641,454	33,000	11,713	530,705

(VI) Table of sales volume and value in the last two years

Unit: metric ton, NT$ thousand

Year / Sales volume and value / Main product (or by department)	2021		2022	
	Count	Amount	Count	Amount
Sodium Hydrosulfite Zinc oxide dust Sodium formaldehyde sulfoxylate Sodium bisulfite	14,541	617,502	11,612	569,524

III. Information on employees for the last two years and up to the publication date of the annual report

March 31, 2023

Year		2021	2022	Current year up to March 31, 2023
Employee count	Staff	28	28	29
	Technician	3	3	3
	Operator	54	53	54
	Total	85	84	86
Average age		43.62	43.57	43.37
Average years of service		13.01	12.63	12.19
Academic background	Doctoral Degree	-	-	
	Masters Degree	2	3	3

	Bachelors Degree	31	31	33
	Senior high school	34	34	34
	Below senior high school	18	16	16

IV. Contribution to environmental protection

(I) Total amount of losses and penalties due to environmental pollution in the most recent year and up to the date of publication of the annual report

Item	2022	As of March 31, 2023
Pollution status (type)	None	None
Unit penalized	N/A	N/A
Penalty imposed	N/A	N/A
Other loss	N/A	N/A

(II) Countermeasure: Not applicable.

V. Labor-management relations

(I) Contents and implementation status of various measures

Item	Key content	Implementation status
Employee welfare measures	1. Insurance: labor insurance and national health insurance. 2. Employee welfare: An employee welfare committee is in place. (1) Meal allowance for three festivals, bonuses and birthday gift certificates. (2) Employee dividends. (3) Subsidies for weddings, funerals and hospitalization. (4) Employee and children scholarships and education grants.	Normally executed.
Employee training and development	1. Training on industrial safety and environmental protection. 2. Pre-service training. 3. On the job training. 4. Other expertise training.	The Company has a "Training Procedure" to provide employees with training opportunities and funds.
Retirement system	1. There is a "Labor Pension Scheme" under the Labor Standards Act. 2. The Company has a Labor Pension Reserve Supervision Committee in place. 3. The pension reserve is allocated to the special pension account at the Bank of Taiwan or the personal retirement account at the Labor Insurance Bureau according to the new or old retirement system respectively.	The details are as follows.

Overall remuneration policy of the Company:

The Company's monthly salary standard, employee promotion and salary adjustment are handled in accordance with the Company's "Salary Management Rules", and there are three-festival and year-end bonuses. Under the normal operation, the Company will regularly pay employees a bonus equivalent to a two-month base salary at the end of the year, regardless of the Company's profit or loss. In addition, employees' remuneration may be allocated and paid according to the Articles of Association.

Retirement system:

1. Defined contribution plan

The Company's Labor Pension Scheme under the "Labor Pension Act" is a defined contribution plan. In accordance with the Act, the monthly contribution rate of the Company's labor pension shall not be less than 6% of the employee's monthly salary. The Company has been allocating 6% of the employee's monthly salary to the personal pension account at the Labor Insurance Bureau every month in accordance with the employee retirement measures set forth in the Act.

2. Defined benefit plan:

The employee pension measures formulated by the Company in accordance with the Labor Standards Act is a defined benefit plan, and the payment of employee pension is calculated based on the number of years of service and the average monthly salary at the time of retirement. Two points will be given at the end of one year of service for those with less than 15 years (inclusive) of service, and one point will be given at the end of each year of service for those with more than 15 years of service, but the maximum cumulative number of points is 45. The Company allocated a pension fund of 6% of the total salary on a monthly basis in accordance with the Labor Standards Act, and has been allocating 3% since February 2021. The fund is deposited in the special account at the Bank of Taiwan in the name of the Labor Pension Reserve Supervision Committee. The Company also estimates the balance of the labor pension fund account before the end of each year. In the event that the account balance is not sufficient to pay the estimated pension amount to workers who are expected to meet the retirement criteria in the following year, the Company will make up the shortfall in one allocation before March the following year.

The Ministry of Labor shall allocate assets in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The investment of the funds shall be conducted through self operation and entrusted operation, and both active and passive management medium- and long-term investment strategies shall be adopted. In consideration of the market, credit, liquidity and other risks, the Ministry of Labor has set the fund risk limit and control plan to make it flexible enough to achieve the return target without taking excessive risks. For the use of the fund, the minimum income in the annual final settlement distribution shall not be lower than the income based on the two-year fixed deposit of local banks; if there is any deficiency, it shall be supplemented by the national treasury after being approved by the competent authority. As of December 31, 2022, the Company is expected to allocate NT$931 thousand to the defined benefit plan in the next year.

(II) Labor-management agreements

All regulations of the Company are in accordance with the Labor Standards Act, and regular labor-management meetings are held. Up to the moment, the labor-management relation has been harmonious.

(III) The protection measure and implementation status of employees' personal safety and work environment:

The Company knows the importance of health and is very careful of employees' health. Thus, self-promotes the health check and care for employees.

●Safety and health policy

Safety discipline	Follow the Safety and Health act and Company Policy
Work safety training	Continuing training promotion and conmunicating to deeper the safety and health consciousness
Work safety culture	Disseminate the correct performance and form a habit for safety and health.
Continuous improvement	Continue improving for safety and health. Step towards sustainable development.

●Work environment detection

The Factory has environmental detections in June and December per year, which are entrusted to the aggregate corporation Industrial Safety and Health Association of the R.O.C. The purpose is to understand and assess the status of the personnel working environment when producing at each workshop and around storage tanks. In addition to distributing the personal protective equipment to each operational personnel on the spot, to take the responsibility of caring for the employees' health, it provides a place where employees can feel at ease.

(IV) Did have any loss due to labor disputes in the most recent year and up to the date of publication of the annual report? Please reveal the estimated cost so far or in the future and the countermeasures: No.

VI. Information security management

(I) Describe the information security risk management structure, information security policy, specific management plan, and resources invested in the information security management:

1. Information security risk management structure:

The Company's information system is leased from the related party "Reward Wool Industry Corporation". The Company has an assistant information manager supervising the implementation of internal information security. If there is any deficiency found in the audit, the audited unit will be required to propose relevant improvement plans and specific actions, and regularly and continuously track the improvement results to reduce internal information security risks.

2. Information security policy

(1) Both the Taipei Head Office and Pingnan Factory have established proper firewalls to prevent attacks by external hackers, and review relevant records from time to time.

(2) Anti-virus software is installed at the computer user end, and virus records and relevant corresponding processing are reviewed from time to time.

(3) Operations related to operating system updates are carried out irregularly to reduce system vulnerabilities and information security risks.
(4) A proper backup mechanism and method have been established.

3. Specific information security management plan and resources invested in information security management
   (1) Network security management:
   An enterprise level multi-function firewall is set for external connections to prevent hackers from illegal invasion.
   (2) Server or computer user-end protection management:
   ①The server and computer user-end devices are installed with endpoint-protection multi-function software (anti-virus, anti malware, anti spyware, etc.). The virus signature is automatically updated to ensure that various viruses can be blocked and information security protection improved.
   ②E-mail is equipped with e-mail anti-virus, spam filtering mechanism and anti blackmail fraud e-mail defense mechanism to prevent unexpected loss or harm caused by the above types of malicious e-mail received by computer users.
   (3) Authority level management of application system user accounts:
   ①Account management: The system settings require users to change their passwords regularly.
   ②Authority level management: Authority levels are defined based on the users' job attributes.

(II) Losses, possible impacts arising from major information security incidents during the most recent fiscal year and up to the publication date of the annual report, and countermeasures:
The Company had no major information security incidents and no related losses and impacts in 2022 and up to the publication date of the annual report.

VII. Major contracts

Nature of contract	Counterparty	Starting and end date of contract	Key content	Restrictive clauses
Sales contract	NITTO SANGYO	2022/4/1~2023/3/31	Sales of zinc oxide	General sales agent in Japan

Six. Financial Overview

I. Condensed balance sheets and comprehensive income statements for the last 5 years – IFRS compliant

(I) Condensed balance sheet

Unit: NT$ thousand

Item \ Year		Financial information for the most recent 5 years (Note 1) 2018	2019	2020	2021	2022	Financial Information until 112/4/23
Current assets		964,029	897,660	809,348	732,911	620,488	No relevant information
Property, plant and equipment		363,799	352,209	338,171	331,872	327,468	
Intangible assets		-	-	-	-	-	
Other assets		1,146,495	1,205,836	1,336,561	1,517,471	1,802,234	
Total assets		2,474,323	2,455,705	2,484,080	2,582,254	2,750,190	
Current liabilities	Before dividend	34,352	32,883	29,940	46,231	49,204	
	After distribution	141,528	120,435	129,568	174,540	(Note 2)	
Non-current liabilities		125,425	121,086	114,844	110,858	115,687	
Total liabilities	Before dividend	159,777	153,969	144,784	157,089	164,891	
	After dividend	266,953	241,521	244,412	285,398	(Note 2)	
Equity attributable to owners of parent		-	-	-	-	-	
Share capital		1,509,517	1,509,517	1,509,517	1,509,517	1,509,517	
Capital surplus		3,167	3,167	3,537	3,537	3,537	
Retained earnings	Before dividend	809,952	798,880	804,039	864,094	1,017,863	
	After dividend	702,776	711,328	704,411	735,785	(Note 2)	
Other equity interest		(8,090)	(9,828)	22,203	48,017	54,382	
Treasury shares		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total equity	Before dividend	2,314,546	2,301,736	2,339,296	2,425,165	2,585,299	
	After distribution	2,207,370	2,214,184	2,239,668	2,296,856	(Note 2)	

Note 1: All financial information in the years above has been audited and certified by CPAs.
Note 2: The number after distribution in 2022 is not filled in because the shareholders' meeting has not been held yet.

(II) Condensed statement of comprehensive income

Unit: NT$ thousand

Item \ Year	Financial information for the most recent 5 years (Note)					Financial Information until 112/4/23
	2018	2019	2020	2021	2022	
Operating revenue	671,611	593,203	475,644	624,599	571,458	No relevant information
Gross profit	75,060	67,035	66,277	87,209	63,217	
Operating profit and loss	19,488	14,180	17,333	25,958	(6,932)	
Non-operating income and expenses	97,310	84,113	76,803	134,503	291,521	
Profit before tax	116,798	98,293	94,136	160,461	284,589	
Current net income from continuing operations	115,472	96,464	91,433	157,487	285,908	
Loss from discontinued operations	-	-	-	-	-	
Current net income (loss)	115,472	96,464	91,433	157,487	285,908	
Other comprehensive income of the period (profit after tax)	5,280	(2,098)	33,309	28,010	2,535	
Total comprehensive income in the current period	120,752	94,366	124,742	185,497	288,443	
Net income attributable to parent company shareholders	-	-	-	-	-	
Net profits attributable to non-controlling interests	-	-	-	-	-	
Total comprehensive income attributable to shareholders of owners of the parent	-	-	-	-	-	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per share	0.76	0.64	0.61	1.04	1.89	

Note : All financial information in the years above has been audited and certified by CPAs.

(III) Certifying CPAs and audit opinions

Year	CPA firm	CPA name	Audit opinion
2018	Ernst & Young Taiwan	Chi-Hui Yang and Su-Wen Lin	Unqualified opinion
2019	Ernst & Young Taiwan	Chi-Hui Yang and Su-Wen Lin	Unqualified opinion
2020	Ernst & Young Taiwan	Chi-Hui Yang and Su-Wen Lin	Unqualified opinion
2021	Ernst & Young Taiwan	Chi-Hui Yang and Su-Wen Lin	Unqualified opinion
2022	Ernst & Young Taiwan	Hsuan-Hsuan Wang and Su-Wen Lin	Unqualified opinion

II. Financial analysis for the last 5 years

Financial analysis - IFRS compliant

<table>
<tr><td colspan="2" rowspan="2">Year
Analysis</td><td colspan="5">Financial analysis for the last 5 years (Note)</td><td rowspan="2">Financial Information until 112/4/23</td></tr>
<tr><td>2018</td><td>2019</td><td>2020</td><td>2021</td><td>2022</td></tr>
<tr><td rowspan="2">Financial structure (%)</td><td>Debt to asset ratio (%)</td><td>6.46</td><td>6.27</td><td>5.83</td><td>6.08</td><td>6.00</td><td rowspan="23">No relevant information</td></tr>
<tr><td>Long-term capital to property, plant and equipment ratio (%)</td><td>636.22</td><td>653.51</td><td>691.75</td><td>730.75</td><td>789.48</td></tr>
<tr><td rowspan="3">Solvency (%)</td><td>Current ratio (%)</td><td>2806.33</td><td>2729.86</td><td>2703.23</td><td>1585.32</td><td>1261.05</td></tr>
<tr><td>Quick ratio (%)</td><td>2253.56</td><td>2285.05</td><td>2188.43</td><td>1005.40</td><td>703.04</td></tr>
<tr><td>Interest coverage ratio (times)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="7">Operating efficiency</td><td>Accounts receivable turnover (times)</td><td>5.13</td><td>5.64</td><td>4.59</td><td>5.03</td><td>5.05</td></tr>
<tr><td>Average cash collection days</td><td>71</td><td>65</td><td>80</td><td>73</td><td>72</td></tr>
<tr><td>Inventory turnover (times)</td><td>3.59</td><td>3.36</td><td>2.85</td><td>2.60</td><td>1.94</td></tr>
<tr><td>Accounts payable turnover (times)</td><td>44.02</td><td>44.41</td><td>35.51</td><td>35.90</td><td>29.85</td></tr>
<tr><td>Average inventory turnover days</td><td>102</td><td>109</td><td>128</td><td>140</td><td>188</td></tr>
<tr><td>Property, plant and equipment turnover (times)</td><td>1.81</td><td>1.66</td><td>1.38</td><td>1.86</td><td>1.73</td></tr>
<tr><td>Total asset turnover (times)</td><td>0.27</td><td>0.24</td><td>0.19</td><td>0.25</td><td>0.21</td></tr>
<tr><td rowspan="5">Profitability</td><td>Return on assets (%)</td><td>4.71</td><td>3.91</td><td>3.70</td><td>6.22</td><td>10.72</td></tr>
<tr><td>Return on equity (%)</td><td>5.05</td><td>4.18</td><td>3.94</td><td>6.61</td><td>11.41</td></tr>
<tr><td>Profit before tax to paid-in capital (%) (Note 6)</td><td>7.74</td><td>6.51</td><td>6.24</td><td>10.63</td><td>18.85</td></tr>
<tr><td>Profit margin (%)</td><td>17.19</td><td>16.26</td><td>19.22</td><td>25.21</td><td>50.03</td></tr>
<tr><td>Earnings per share (NT$)</td><td>0.76</td><td>0.64</td><td>0.61</td><td>1.04</td><td>1.89</td></tr>
<tr><td rowspan="3">Cash flow</td><td>Cash flow ratio (%)</td><td>50.81</td><td>(13.14)</td><td>175.59</td><td>(162.62)</td><td>225.06</td></tr>
<tr><td>Cash flow adequacy ratio (%)</td><td>7.62</td><td>6.90</td><td>1.87</td><td>(6.68)</td><td>15.30</td></tr>
<tr><td>Cash reinvestment ratio (%)</td><td>(1.76)</td><td>(4.00)</td><td>(1.23)</td><td>(5.97)</td><td>(0.57)</td></tr>
<tr><td rowspan="2">Degree of leverage</td><td>Operating leverage</td><td>5.56</td><td>10.62</td><td>5.24</td><td>3.34</td><td>(17.58)</td></tr>
<tr><td>Financial leverage</td><td>1.00</td><td>1.00</td><td>1.00</td><td>1.00</td><td>1.00</td></tr>
</table>

Please explain the reasons for the changes in the financial ratios for the last two years (Analysis can be exempted if the change is less than 20%) 1.Solvency: Due to the decrease in current assets. 2. Profitability: Due to the increase in sales volume, revenue growth and reinvestment gains from the sale of part of the Company's shareholding in Taiwan Puritic Corp and the dividend distribution of shares in Reward Wool Industry Corporation. 3. Cash flow: Due to the increase in net cash flow from operating activities. 4. Operating leverage: Decreased from that in the previous year mainly due to the higher operating profit.	

Note 1: The year not audited and certified by a CPA shall be noted.

Note 2: For a listed company or a company whose shares are traded on the over-the-counter market, an analysis is required if the latest financial information audited and certified or reviewed by a CPA is available.

Note 3: The following calculation formula shall be listed at the end of this table in the annual report:

1. Financial position
   (1) Debt to assets ratio = total liabilities/total assets
   (2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities) / net property, plant, and equipment
2. Solvency
   (1) Current ratio = current assets/current liabilities
   (2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities
   (3) Interests coverage multiplier = net profits before tax and interest expense/interest expense for the period
3. Operating efficiency
   (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
   (2) Average collection days = 365/accounts receivable turnover rate
   (3) Inventory turnover rate = costs of goods sold/average inventory
   (4) Payables turnover (including accounts payable and notes payable from business activities) = cost of sales / average balance of payables in the period (including accounts payable and notes payable from business activities).
   (5) Average sales days = 365/inventory turnover rate
   (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
   (7) Total assets turnover rate = net sales/average total assets
4. Profitability
   (1) Return on assets = (net income + interest expenses x (1- tax rate)) / average asset balance.
   (2) Return on equity = net profits after tax/average total equity
   (3) Net profit margin = net profits after tax/net sales
   (4) Earnings per share = (income attributable to owners of the parent - preferred stock dividend) / weighted average number of shares issued. (Note 4)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
   (2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years / sum of capital expenditures, inventory additions, and cash dividend for the most recent 5 years
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capitals). (Note 5)
6. Degree of leverage:
   (1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating profit (Note 6).
   (2) Financial leverage = operating profit / (operating profit - interest expense).

Note 4: Special attention should be paid to the following when measuring earnings per share with the above calculation formula:

1. Based on the weighted average number of common shares rather than the number of shares outstanding at the end of the year.
2. Where there is cash capital increase or treasury stock transactions, the weighted average number of shares should be used considering the period of circulation.
3. Where there is a capital increase by retained earnings or capital surplus when calculating the annual or semi-annual earnings per share for previous years, retrospective adjustments should be made in proportion to the capital increase, regardless of the issuance period of such capital increase.
4. If the preferred shares are non-convertible and cumulative, their dividends for the current year (whether paid or not) should be deducted from the net profits after tax, or added to the net losses after tax. If the preferred shares are non-cumulative, their dividends should be deducted from net profits after tax if there are net profits after tax; if there are net losses, no adjustment is required.

Note 5: Special attention should be paid to the following in performing cash flow analysis.

1. Net cash flow from operating activities represents the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures represent the annual cash outflows from capital investments.
3. Increase in inventory is included only if the ending balance is greater than the beginning balance or zero if inventory decreases at the end of the year.
4. Cash dividends include both common and preferred share cash dividends.
5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.

Note 6: The issuer should distinguish between fixed and variable operating costs and operating expenses according to their nature. Where estimates or subjective judgments are involved, pay attention to the reasonableness and maintain consistency.

Note 7: For companies that issue shares without a face value or at any face value other than NT$10 per share, all above percentages that involve paid-up capital in the denominator shall be substituted with equity attributable to owners of parent balance sheet instead.

III. Audit Committee’s review report on the latest financial report

Cathay Chemical Works Inc.

Audit Committee’s Audit Report

The board of directors has prepared the Company’s 2022 business report, financial statements and earnings distribution proposal. The financial statements have been audited by the CPAs Chi-Hui Yang and Su-Wen Lin of Ernst & Young Taiwan, and the Auditors’ Report was issued accordingly.

The Audit Committee found no misstatement in the aforementioned business report, financial statements, or earnings distribution proposal, and hereby issues its report as above in accordance with the Securities and Exchange Act and The Company Act.

To

2023 General Shareholders’ Meeting of Cathay Chemical Works Inc.

Audit Committee convener:

March 09, 2023

IV. Financial statements of the last year: Page87 ~ Page 154

V. Consolidated parent-subsidiary financial statements in the last year audited and certified by CPAs: Not applicable.

VI. Any financial distress experienced by the Company or its affiliated companies, and the impact on the Company's financial status in the last year up to the publication date of the annual report: None.

Seven. Review and Analysis of Financial Status and Business Performance, and Risk Management Issues

I. Financial status

Comparative analysis of the financial position

Unit: NT$ thousand

Year / Item	2022	2021	Difference	
			Amount	%
Current assets	620,488	732,911	(112,423)	(15.34)
Property, plant and equipment	327,468	331,872	(4,404)	(1.33)
Other assets	1,802,234	1,517,471	284,763	18.77
Total assets	2,750,190	2,582,254	167,936	6.50
Current liabilities	49,204	46,231	2,973	6.43
Non-current liabilities	115,687	110,858	4,829	4.36
Total liabilities	164,891	157,089	7,802	4.97
Share capital	1,509,517	1,509,517	-	-
Capital surplus	3,537	3,537	-	-
Retained earnings	1,017,863	864,094	153,769	17.80
Other equity interest	54,382	48,017	6,365	13.26
Total equity	2,585,299	2,425,165	160,134	6.60

Explanations: Analysis can be exempted if the change is less than 20%.

II. Financial performance

(I) Comparative analysis of business results

Unit: NT$ thousand

Item \ Year	2022	2021	Amount increase (decrease)	Percentage of change %
Net operating revenues	571,458	624,599	(53,141)	(8.51)
Operating costs	508,241	537,390	(29,149)	(5.42)
Gross profit	63,217	87,209	(23,992)	(27.51)
Operating expenses	70,149	61,251	8,898	14.53
Operating profit	(6,932)	25,958	(32,890)	(126.70)
Non-operating income and expenses	291,521	134,503	157,018	116.74
Profit before tax	284,589	160,461	124,128	77.36
Tax expense (income)	1,319	(2,974)	4,293	144.35
Current period net profit	285,908	157,487	128,421	81.54

Analysis and description of change in the increase/decrease ratio:

1. The operating profit increased compared with that of the previous period, mainly due to the increase in sales.
2. The net profit of the current period increased compared with that of the previous period, due to the increase in sales and in gains and dividend income from investment by the equity method recognized by the Company based on its shareholding ratio.

(II) Sales forecast and basis

The Company sets annual sales targets based on the sales plan, industrial planning and past business performance.

(III) Possible financial impact and countermeasure

In the future, the Company will actively expand its market share and increase its profit in response to the changes in market demand.

III. Cash flow

(I) Liquidity analysis for the last two years

Item \ Year	2022	2021	Percentage of increase/decrease
Cash flow ratio	225.06	(162.62)	387.68
Cash flow adequacy ratio	15.30	(6.68)	21.98
Cash reinvestment ratio	(0.57)	(5.97)	5.40

Analysis and description of change in the increase/decrease ratio:
The increase in cash flow ratio and cash flow adequacy ratio compared with those of the previous period was due to the increase in net cash outflow from operating

activities.

(II) Liquidity analysis for the next year

Unit: NT$ thousand

Cash balance at the beginning of the period①	Estimated annual net cash flow from operating activities②	Estimated annual cash outflow③	Expected cash surplus (deficit) ①+②−③	Financing of expected cash deficits	
				Investment plans	Financing plans
182,964	99,600	171,117	111,447	-	-

IV. Material capital expenditures in the last year and impacts on the financial position and business performance: None.

V. Investment policy for the last year, the main reasons for profit or loss, and improvement plan and investment plan for the coming year:

The Company reinvestment in Taiwan Puritic Corp., which had issued NT$35,932,456 as dividends in 2022. Also, Reward Wool Industry Corporation had issued NT$8,807,700 as dividends in 2022. The two Company have sound financial position, which are both a great target for long-term investment. The Company has not yet gross investment proposal in next year.

VI. Assessment of risk items in the last year up to the date of publication of the annual report

(I) Impact of interest rate, exchange rate, and inflation on the Company's income and countermeasures:

3. Impact of interest rate, exchange rate, and inflation on the Company's income

Item	2022 (NT$ thousand)
Interest income	1,923
Interest expenses	34
Foreign exchange gain	5,290
Foreign exchange loss	886

(1) Interest rate: The Company has a good financial structure and a high ratio of self-owned funds. Except for self repaying loans for purchasing materials, there are no bank loans, so there is no interest expense. Short term idle funds are used to purchase commercial promissory notes for fund arrangement and interest income.

(2) Change in exchange rate: If there is any change in the exchange rate, the foreign currency deposit account and the foreign currency demand for purchasing materials are matched and adjusted in a timely manner, so there is no significant impact.

(3) Inflation: Except the major raw materials "Zinc" influence by the market volatility prices, other items have no significant impact on the Company's operations.

4. Future response measures: The Company will continue to closely observe the trend of interest rates and exchange rates, and exercise strict control in due course to reduce the overall risk of the Company.

(II) Policies on high-risk and highly leveraged investments, loans to external parties, endorsements/guarantees, and trading of derivatives; describe the main causes of profit or loss incurred and future countermeasures:

1. The Company operates on a conservative and prudent financial basis, and does not engage in high-risk and highly leveraged investments.

2. The Company has no loan extension to others, and on April 10, 2006 the board meeting approved "no fund lending to others".
3. The Company has not provided endorsements/guarantees for others, and on December 18, 2012 the board meeting approved "no endorsement/guarantee for others".
4. The Company has no derivative product transactions in 2022 and up to the publication date of the annual report.

(III) The most recent annual R&D plan, the current progress of the unfinished R&D plan, the R&D expenses that should be reinvested, the estimated time to complete mass production, and the main factors affecting the success of future R&D:

In order to reduce wastage, improve manufacturing efficiency, reduce pollution and save labor, the Company is engaged in the research and development of substituting the granulation method for the crushing method in the production process of sodium formaldehyde sulfoxylate, hoping to improve product refinement, reduce costs and increase competitiveness.

(IV) Financial impact due to changes in local and foreign regulations and countermeasures:

No such situation in 2022 and up to the publication date of the annual report.

(V) The impact of important changes in technology or industry on the Company's finance and business and countermeasures:

With regard to the development and change of technology in the future, in terms of environmental protection and green energy, the Company considers environmental protection, energy conservation, green energy and low carbon, and focuses on high-tech chemicals to continuously improve ecological benefits.

(VI) The impact of corporate image change on corporate crisis management and countermeasures:

The Company has been adhering to the quality policy of customer first, integrity first, quality first, and seamless cooperation for many years, and is committed to maintaining the corporate image of decent operation, and complying with laws and regulations. So far, there has been no event that could affect the corporate image.

(VII) Expected benefits, possible risks, and countermeasures in relation to mergers and acquisitions:

No such situation in 2022 and up to the publication date of the annual report.

(VIII) Expected benefits and possible risks of plant expansion and countermeasures:

No such situation in 2022 and up to the publication date of the annual report.

(IX) Risks and countermeasures associated with concentration of sales or purchases:

(1) The top three customers of the Company respectively account for 8.99%, 7.48% and 7.19% of the turnover, and there is not yet a concentration of sales.

(2) In terms of purchase, the top three suppliers of the Company are AKKORA, OASUNM and AAYIHU, which respectively account for 33.56%, 16.06% and 8.72% of the total purchase amount. In addition, there are a few spot purchases, and the risk of concentrated purchase has been effectively reduced.

(X) Impact on the company if a major quantity of shares held by directors or shareholders holding more than 10% of shares in the company are transferred or change hands, the risk and countermeasures:

No such situation in 2022 and up to the publication date of the annual report.

(XI) Impact, risks, and countermeasures associated with any change of management: None.

(XII) Litigation and non-litigation cases: None.

(XIII) Other significant risks and countermeasures: None.

VII. Other important matters: None

Eight. Special Disclosure

I. Information of affiliated companies

(I) Overview of the relationship with the controlling companies

Name of controlling entity	Means of control	Shareholding and shares pledged			Holding positions as directors and managers	
		Shares	Shareholding percentage	Shares pledged	Position	Name
Heng Chang Investment Corp.	The appointed persons were elected as the Chairman and Director & President of the Company.	19,534,906	12.94%	0	Chairman Director & President	Jou-Er, Ing C.C. Hung

(II) Business dealing status

1. Purchase and sales transaction: None.
2. Property transaction: None.
3. Financing: None.
4. Lease of asset: None.
5. Other significant transactions: None.

(III) Endorsements/guarantees and other guarantees: None.

(IV) Other matters with significant financial and business impacts: None.

II. Private placement of marketable securities in the last year and up to the publication date of this annual report: None.

III. Holding or disposal of the Company's shares by subsidiaries in the last year, up until the publication date of the annual report: None.

IV. Other supplementary information: None.

Nine. Events with Significant Impacts to Shareholders' Equity or Securities Prices as Defined in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act in the Last Year Up to the Publication Date of This Annual Report: None.

Ten. Appendix:

Individual financial statements with report of independent auditors

English Translation of Auditors' Report Originally Issued in Chinese

Report of Independent Auditors

To CATHAY CHEMICAL WORKS INC.：

Opinion

We have audited the individual balance sheets of Cathay Chemical Works Inc. (the "Company") as of December 31, 2022 and 2021, and the individual statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the individual financial statements (including the summary of significant accounting policies).

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and financial performance and its cash flows for the years ended December 31, 2022 and 2021, in conformity with the Requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 individual financial statements. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

As of December 31, 2022, the net inventories of the Company amounted to NTD 263,205 thousand. The price of raw materials is subject to market price fluctuations and the price of the product itself may rise and fall due to market supply and demand, which may cause greater fluctuations in inventory prices, we therefore considered this a key audit matter.

Our audit procedures included but not limited to, understanding the internal controls of inventory valuation process established by management, and evaluating and testing the effectiveness of related controls, including testing the controls regarding purchase costs update and changes of selling prices in the inventory valuation process. In addition, for the substantive procedures at the end of the period, we selected samples of specific raw materials and finished goods, obtained and vouched the supporting documents to verify the replacements cost and selling prices of the selected samples, and recalculated the net realizable value of the inventories to confirm the accuarcy.

We also consider the appropriateness of disclosure of inventories. Please refer to Notes 5 and 6 to the Company's individual financial statements.

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

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

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditors' Responsibilities for the Audit of the Individual Financial Statements.

Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the individual 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 internal control of the Company.

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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the individual financial statements, including the accompanying notes, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 individual financial statements of the Company and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that 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.

Wang, Hsuan Hsuan

Lin, Su Wen

Ernst & Young, Taiwan
March 8, 2023

Taipei, Taiwan
Republic of China

<u>Notice to Readers</u>

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

Accordingly, the individual financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or the Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English translation of individual financial statements originally issued in Chinese
CATHAY CHEMICAL WORKS INC.

INDIVIDUAL BALANCE SHEETS

December 31, 2022 and December 31, 2021 (Expressed in Thousands of New Taiwan Dollars)

Accounts	Notes	December 31,2022 Amount	%	December 31,2021 Amount	%
Current assets					
Cash and cash equivalents	4, 6(1)	$182,964	7	$231,821	9
Financial assets at amortized cost, current	4, 6(3)	79,743	3	84,140	3
Notes receivable, net	4, 6(4), 6(14)	27,182	1	67,311	3
Accounts receivable, net	4, 6(5), 6(14)	53,383	2	78,260	3
Other receivables		314	-	3,273	-
Inventories, net	4, 6(6)	263,205	10	260,867	10
Non-current assets classified as held for sale, net	4, 6(7)	2,337	-	-	-
Other current assets	7	11,360	-	7,239	-
Total current assets		620,488	23	732,911	28
Non-current assets					
Financial assets at fair value through profit or loss, non-current	4, 6(2)	236,633	9	222,215	9
Investments accounted for under the equity method	4, 6(8)	903,906	32	636,662	25
Property, plant and equipment	4, 6(9)	327,468	12	331,872	13
Right-of-use assets	4, 6(15), 7	1,801	-	-	-
Investment property, net	4, 6(19)	652,167	24	652,167	25
Deferred tax assets	4, 6(19)	4,586	-	1,597	-
Other non-current assets-others	7	3,141	-	4,830	-
Total non-current assets		2,129,702	77	1,849,343	72
Total assets		$2,750,190	100	$2,582,254	100

English translation of individual financial statements originally issued in Chinese
CATHAY CHEMICAL WORKS INC.

INDIVIDUAL BALANCE SHEETS
December 31, 2022 and December 31, 2021 (Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity		December 31,2022		December 31,2021	
Accounts	Notes	Amount	%	Amount	%
Current liabilities					
Notes payable		$6,605	-	$6,811	-
Accounts payable		8,750	-	11,891	1
Other payables		31,721	1	24,263	1
Current tax liabilities	4, 6(19)	751	-	3,006	-
Lease liabilities, current	4, 6(15), 7	1,120	-	-	-
Other current liabilities		257	-	260	-
Total current liabilities		49,204	1	46,231	2
Non-current liabilities					
Deferred tax liabilities	4, 6(19)	109,357	4	109,357	4
Lease liabilities, non-current	4, 6(15), 7	778	-	-	-
Net defined benefit liabilities, non-current	4, 6(11)	5,252	-	1,201	-
Guarantee deposits		300	-	300	-
Total non-current liabilities		115,687	4	110,858	4
Total liabilities		164,891	5	157,089	6
Equity					
Share Capital	6(12)				
Ordinary Share		1,509,517	55	1,509,517	58
Additional paid-in capital	6(12)	3,537	-	3,537	-
Retained earnings					
Legal reserve	6(12)	371,438	14	355,470	14
Special reserve	6(12)	275,001	11	275,001	11
Unappropriated earnings	6(12), 6(19)	371,424	13	233,623	9
Total retained earnings		1,017,863	38	864,094	34
Other equity interest	6(2), 6(8)	54,382	2	48,017	2
Total equity		2,585,299	95	2,425,165	94
Total liabilities and equity		$2,750,190	100	$2,582,254	100

English translation of individual financial statements originally issued in Chinese CATHAY CHEMICAL WORKS INC.

INDIVIDUAL STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Items	Notes	For the years ended December 31, 2022	%	2021	%
Operating revenues	4, 6(13), 7	$571,458	100	$624,599	100
Operating costs	6(11), 6(16)	(508,241)	(89)	(537,390)	(86)
Gross profit		63,217	11	87,209	14
Operating expenses	6(11), 6(14), 6(16), 7				
Sales and marketing expense		(26,361)	(5)	(28,995)	(5)
General and administrative expenses		(44,445)	(8)	(31,824)	(5)
Expected credit impairment gains (losses)	6(14)	657	-	(432)	-
Total operating expenses		(70,149)	(13)	(61,251)	(10)
Operating (loss) income		(6,932)	(2)	25,958	4
Non-operating income and expenses					
Interest income	4, 6(17)	1,923	-	1,237	-
Other income	4, 6(17)	13,603	2	19,057	3
Other gains and losses, net	6(17)	(10,032)	(2)	6,247	1
Finance costs , net	6(17), 7	(34)	-	-	-
Share of profit or loss of associates and joint ventures accounted for using equity methods, net	4, 6(8)	286,061	50	107,962	17
Total non-operating income and expense		291,521	50	134,503	21
Income from continuing operations before income tax		284,589	48	160,461	25
Income tax benefit (expense)	4, 6(19)	1,319	-	(2,974)	-
Net income		285,908	48	157,487	25
Other comprehensive income (loss)					
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit pension plans	4, 6(18)	(4,879)	(1)	2,837	-
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income	4, 6(2), 6(18)	2,504	-	25,900	4
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that willl not be reclassified to profit or loss	4, 6(18)	74	-	(74)	-
Income tax related to items that will not be reclassified subsequently	4, 6(18), 6(19)	975	-	(567)	-
Items that may be reclassified subsequently to profit or loss					
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	4, 6(18)	3,861	-	(86)	-
Total other comprehensive income (loss)		2,535	(1)	28,010	4
Total comprehensive income		$288,443	47	$185,497	29
Earnings per share (in dollars)					
Basic earnings per share	6(20)	$1.89		$1.04	
Diluted earnings per share	6(20)	$1.89		$1.04	

English translation of individual financial statements originally issued in ChineseCATHAY

CHEMICAL WORKS INC.

INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Items	Share Capital	Additional Paid-in Capital	Retained Earnings			Other Components of Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains or Losses on Financial Assets Measuredat Fair Value through Other Comprehensive Income	
Balance as of January 1, 2021	$1,509,517	$3,537	$346,199	$275,001	$182,839	$(3,360)	$25,563	$2,339,296
Appropriation and distribution of 2020 retained earnings								
Legal reserve appropriated	-	-	9,271	-	(9,271)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(99,628)	-	-	(99,628)
Net income for the year ended December 31, 2021	-	-	-	-	157,487	-	-	157,487
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	2,196	(86)	25,900	28,010
Total comprehensive income (loss)	-	-	-	-	159,683	(86)	25,900	185,497
Balance as of December 31, 2021	$1,509,517	$3,537	$355,470	$275,001	$233,623	$(3,446)	$51,463	$2,425,165
Balance as of January 1, 2022	$1,509,517	$3,537	$355,470	$275,001	$233,623	$(3,446)	$51,463	$2,425,165
Appropriation and distribution of 2021 retained earnings								
Legal reserve appropriated	-	-	15,968	-	(15,968)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(128,309)	-	-	(128,309)
Net income for the year ended December 31, 2022	-	-	-	-	285,908	-	-	285,908
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	(3,830)	3,861	2,504	2,535
Total comprehensive income (loss)	-	-	-	-	282,078	3,861	2,504	288,443
Balance as of December 31, 2022	$1,509,517	$3,537	$371,438	$275,001	$371,424	$415	$53,967	$2,585,299

English translation of individual financial statements originally issued
in ChineseCATHAY CHEMICAL WORKS INC.
INDIVIDUAL STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

Items	For the years ended	
	December 31,2022	December 31,2021
Cash flows from operating activities:		
Net income before tax	$284,589	$160,461
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Adjustments to reconcile profit (loss):		
Depreciation expense	14,318	13,942
Amortization expense	87	15
Interest expense	34	-
Interest income	(1,923)	(1,237)
Dividend income	(8,807)	(17,967)
Share of profit of associates and joint ventures	(286,061)	(107,962)
Gain on disposal of property, plant and equipment	-	(571)
Gain on disposal of investments	-	(16,616)
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	40,129	(30,678)
Decrease (increase) in accounts receivable	24,877	(11,951)
Decrease (increase) in other receivables	3,014	(2,853)
Increase in inventories	(2,338)	(108,794)
Increase in other current assets	(4,120)	(5,179)
Decrease in notes payable	(206)	(1,091)
(Decrease) increase in accounts payable	(3,141)	8,554
Increase in other payables	7,458	5,893
Decrease in other current liabilities	(2)	(10)
Decrease in net defined benefit liabilities	(828)	(1,132)
Cash inflow (outflow) generated from operations:	67,080	(117,176)
Interest received	1,868	1,422
Dividend received	44,739	40,408
Income tax (paid) returned	(2,950)	163
Net cash flows from (used in) operating activities	110,737	(75,183)
Cash flows from investing activities:		
income	(11,914)	(90,713)
Acquisition of financial assets measured at amortized cost	(79,743)	(84,140)
Proceeds from disposal of financial assets at amortized cost	84,140	54,053
Acquisition of investments accounted for under equity method	(13,182)	-
Proceeds from disposal of investments accounted for under equity method	-	35,960
Acquisition of property, plant and equipment	(6,595)	(4,296)
Proceeds from disposal of property, plant and equipment	-	571
Increase in refundable deposits	(198)	(6)
Decrease in refundable deposits	1,477	557
Increase in other non-current assets	(430)	-
Increase in prepayments for equipment	(4,543)	(2,969)
Net cash used in investing activities	(30,988)	(90,983)
Cash flows from financing activities:		
Cash payments for the principal portion of the lease liability	(297)	-
Cash dividends paid	(128,309)	(99,628)
Net cash used in financing activities	(128,606)	(99,628)
Net decrease in cash and cash equivalents	(48,857)	(265,794)
Cash and cash equivalents at beginning of period	231,821	497,615
Cash and cash equivalents at end of period	$182,964	$231,821

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

Cathay Chemical Works Inc. (the "Company") was established in December 1962. The Company's primarily business is the manufacture and sale of sodium hydrosulfite, zinc oxide, sodium formaldehyde sulfoxylate, zinc dust and so on. The Company's common shares were listed on the Taiwan Stock Exchange since January 1990. The Company's registered address and main operating site is at 12F, No.320, Section 4, Zhongxiao East Road, Taipei, Taiwan.

2. Date and procedures of authorization of financial statements for issue

The individual financial statements of the Company for the years ended December 31, 2022 and 2021 were recommended and authorized for issue by the Company's board of directors on March 8, 2023.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Company applied for the first time the International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2022. The adoption of these new standards and amendments had no material impact on the Company.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

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

(a) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(b) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023. The standards and interpretations have no material impact on the Company.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

(a) IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017, and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of compliance

The individual financial statements of the Company for the years ended December 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

(2) Basis of preparation

The individual financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The individual financial statements are expressed in thousands of New Taiwan Dollars ("NTD") unless otherwise stated.

(3) Foreign currency transactions

The Company's individual financial statements are presented in NTD, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
B. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instrument.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Current and non-current classification standard for assets and liabilities

An asset is classified as current when:

A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
B. The Company holds the asset primarily for the purpose of trading.
C. The Company expects to realize the asset within twelve months after the reporting period.
D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. The Company expects to settle the liability in its normal operating cycle.
B. The Company holds the liability primarily for the purpose of trading.
C. The liability is due to be settled within twelve months after the reporting period.
D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

(a) the Company's business model for managing the financial assets and
(b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, accounts receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as of the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
    I. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
    II. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

<u>Financial asset measured at fair value through profit or loss</u>

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Company measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
(c) For accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
(d) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired.
(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
(b) a Company of financial liabilities, financial assets or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(7) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability, or
B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(8) Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows.

Raw materials－Purchase cost on weighted average basis.

Finished goods and work in progress － Cost of direct materials, labor and manufacturing overheads but excluding borrowing costs. Cost of the fixed manufacturing overheads is based on a normal operating capacity. Cost of the finished goods and work in progress is based on weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(9) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

In the individual statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

(10) Investments accounted for using the equity method

The Company’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate or investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorated basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a prorate basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

A. Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(11) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, plant and equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	10～50 years
Machinery and equipment	7～15 years
Other equipment	5 years
Right-of-use assets	2 years

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(12) Investment property

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers properties to or from investment properties according to the actual use of the properties.

The Company transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(13) Lease

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
C. amounts expected to be payable by the lessee under residual value guarantees;
D. the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

A. the amount of the initial measurement of the lease liability;
B. any lease payments made at or before the commencement date, less any lease incentives received;
C. any initial direct costs incurred by the lessee; and
D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted it as a variable lease payment. The Company applied the practical expedient to all rent concessions that meet the conditions for it.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(14) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(15) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follow:

<u>Sale of goods</u>

The company manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the company is Sodium Hydrosulfite, Zinc Oxide, Sodium Formaldehyde Sulfoxylate, Zinc Dust and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts to the Company estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The Company provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Company's sale of goods is 120 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(16) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's individual financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

A. the date of the plan amendment or curtailment; and
B. the date that the Company recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

For the post-employment benefit plan that is a definite welfare plan, the Company has changed from 12% to 3% of the total salary on a monthly basis with the approval of the Department of Labor, Taipei City Government since February 2021, and the amount raised is recognized as the current expense.

(17) Income tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

<u>Current income tax</u>

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
B. In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. <u>Significant accounting judgements, estimates and assumptions</u>

The preparation of the Company's individual financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below:

(1) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(2) Inventory evaluation

As inventory is measured by the lower cost and net realizable value, the Company assesses the amount of inventory at the end of the reporting period due to normal wear and tear, obsolescence or no market value and reduces the cost of inventory to net realisation value. This inventory evaluation is based on market conditions at the time and may change significantly due to rapid market changes.

6. <u>Contents of significant accounts</u>

(1) Cash and cash equivalents

	As of December 31,	
	2022	2021
Cash on hand	$274	$151
Savings accounts	43,811	27,123
Checking accounts	16,840	5,731
Time deposits	102,084	9,000
Cash equivalents－Commercial paper	19,955	189,816
Total	$182,964	$231,821

(2) Financial assets at fair value through other comprehensive income

	As of December 31,	
	2022	2021
Equity instrument investments measured at fair value through other comprehensive income–non-current：		
Listed stocks		
Reward Wool Industry Corporation	$236,633	$222,215

The Company classifies parts of its financial assets as financial assets at fair value through other comprehensive income and were not pledged.

Please refer to Note 12 for more details on credit risk of equity instrument investments measured at fair value through other comprehensive income.

The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31	
	2022	2021
Related to investments held at the end of the reporting period		
Dividends recognized during the period	$8,807	$17,967

(3) Financial assets measured at amortized cost

	As of December 31,	
	2022	2021
Financial assets measured at amortized cost - Current		
Time deposits with original maturities over three months	$79,743	$84,140

The Company classifies certain financial assets as financial assets measured at amortized cost and were not pledged. Please refer to Note 12 for more details on credit risk.

(4) Notes Receivable

	As of December 31,	
	2022	2021
Notes Receivable arising from operating activities	$27,457	$67,991
Notes Receivable arising from non-operating activities	-	-
Less: loss allowance	(275)	(680)
Total	$27,182	$67,311

Notes receivables were not pledged.

The Company follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6(14) for more details on loss allowance and Note 12 for details on credit risk.

(5) Accounts receivables and Accounts receivables - related parties, net

	As of December 31,	
	2022	2021
Accounts receivables	$53,922	$79,051
Less: loss allowance	(539)	(791)
Subtotal	53,383	78,260
Accounts receivables from related parties	-	-
Less: loss allowance	-	-
Subtotal	-	-
Total	$53,383	$78,260

Accounts receivables were not pledged.

Accounts receivables are generally on 120 days terms. The total carrying amount as of December 31, 2022 and 2021 are NTD 53,922 thousand and NTD 79,051 thousand, respectively. Please refer to Note 6(14) for more details on loss allowance of accounts receivable for the years ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(6) Inventory

	As of December 31,	
	2022	2021
Raw materials	$102,596	$95,713
Supplies	990	1,277
Finished goods	159,619	163,877
Total	$263,205	$260,867

A. For the years ended December 31, 2022 and 2021, the Company recognized NTD 508,241 thousand and NTD 537,390 thousand for cost of inventories in expenses, respectively, including the write-down of inventories of NTD 9,822 thousand and NTD 0 thousand, respectively.

B. The inventories were not pledged.

(7) Non-current assets classified as held for sale

	As of December 31,	
	2022	2021
Property, plant and equipment - Land	$2,123	$-
Property, plant and equipment - Buildings, net	214	-
Total	$2,337	$-

In December 2022, the Board of Directors of the Company approved to sell Xin Wu factory building with the expectation to complete the sale within 12 months. Therefore, the Xin Wu factory building was listed under “Non-current assets classified as held for sale”.

(8) Investments accounted for under the equity method

The following table lists the investments accounted for under the equity method of the Company:

	As of December 31,			
	2022		2021	
Investee companies	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates		29.83%		
Taiwan Puritic Corp.	$903,906	(Note)	$636,662	29.55%

Note: The Company purchased a total of 169,000 shares of Taiwan Puritic Corp. in the fourth quarter of 2022, resulting in an increase in the Company's shareholding ratio from 29.55% to 29.83%.

A. Investments in associates

Information on the material associate of the Company:

Company Name: Taiwan Puritic Corp.

Nature of relationship with the associate: The chairman of the Company is the legal representative of the investment in associates.

Principle place of business (country of incorporation): Taiwan

Fair value of the investment in the associate when there is a quoted market price for the investment: Taiwan Puritic Corp. was listed on the Taipei Stock Exchange on June 17, 2021. The fair value of the investment in Taiwan Puritic Corp. was NTD 1,454,446 thousand and NTD 2,344,593 thousand as of December 31, 2022 and 2021, respectively.

Reconciliation of the associate's summarized financial information presented to the carrying amount of the Company's interest in the associate:

	As of December 31,	
	2022	2021
Current assets	$9,510,713	$5,885,121
Non-current assets	1,076,035	1,006,171
Current liabilities	(6,820,413)	(4,334,966)
Non-current liabilities	(736,144)	(397,490)
Equity	3,030,191	2,158,836
Proportion of the Company's ownership	29.83%	29.55%
Subtotal	903,906	637,936
Other adjustments	-	(1,274)
Carrying amount of the investment	$903,906	$636,662

	For the years ended December 31	
	2022	2021
Operating revenue	$10,706,975	$7,522,494
Net income from continuing operations	938,388	362,460
Total comprehensive income	938,388	362,460

B. The associates had no contingent liabilities or capital commitments and was not pledged as of December 31, 2022 and 2021.

(9) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Other equipment	Total
Cost:					
As of Jan. 1, 2022	$223,433	$224,039	$262,553	$13,649	$723,674
Additions	-	1,115	4,754	726	6,595
Disposals	-	-	(2,987)	(851)	(3,838)
Transfers (Note)	(2,123)	(10,331)	5,296	-	(7,158)
Other changes	-	-	-	-	-
As of Dec. 31, 2022	$221,310	$214,823	$269,616	$13,524	$719,273
As of Jan.1, 2021	$223,433	$223,814	$255,135	$15,733	$718,115
Additions	-	225	4,071	-	4,296
Disposals	-	-	-	(2,084)	(2,084)
Transfers (Note)	-	-	3,347	-	3,347
Other changes	-	-	-	-	-
As of Dec. 31, 2021	$223,433	$224,039	$262,553	$13,649	$723,674
Depreciation and impairment:					
As of Jan. 1, 2022	$-	$142,115	$237,779	$11,908	$391,802
Depreciation	-	8,558	4,950	450	13,958
Disposals	-	-	(2,987)	(851)	(3,838)
Transfers (Note)	-	(10,117)	-	-	(10,117)
As of Dec. 31, 2022	$-	$140,556	$239,742	$11,507	$391,805
As of Jan.1, 2021	$-	$133,614	$232,775	$13,555	$379,944
Depreciation	-	8,501	5,004	437	13,942
Disposal	-	-	-	(2,084)	(2,084)
As of Dec. 31, 2021	$-	$142,115	$237,779	$11,908	$391,802
Net carrying amount:					
As of Dec. 31, 2022	$221,310	$74,267	$29,874	$2,017	$327,468
As of Dec. 31, 2021	$223,433	$81,924	$24,774	$1,741	$331,872

The property, plant and equipment were not pledged.

Note: Please refer to Note 6(7) for more details.

(10) Investment property

The investment property was the Company self-owned investment properties.

Net carrying amounts as of：	Land
December 31, 2022	$652,167
December 31, 2021	$652,167

(1) No investment property was pledged.

(2) Investment properties held by the Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties was NTD 5,070,795 thousand and NTD 4,579,323 thousand as of December 31, 2022 and 2021, respectively. The fair value has been determined based on valuations performed by an independent valuer. The above fair value determination is supported by market evidence, and the land is evaluated using the comparative method and the land development analysis method, and the weighted average method is used to extrapolate the weighted average value, giving a weighting coefficient of 50% for both the comparative price of land and the analytical price of land development.

Comparative method:

refers to the method of estimating the price of the subject of survey based on comparison, analysis and adjustment.

	As of December 31,	
	2022	2021
Condition factor adjustments rate	100%	100%
Date factor adjustments rate	101-102%	102-103%
Local factor adjustments rate	91-100%	94-99%
Land individual factor adjustments rate	99-115%	88-96%

Land development analysis approach:

refers to the method of estimating the total sales amount after development or construction because of the change in land efficiency caused by development and improvement of land according to the legal use and intensity of use, and calculating the direct and indirect costs, capital interest and profits during the development period to find the pre-development or pre-construction land price

	As of December 31,	
	2022	2021
Profit margin	20%	20%
Comprehensive interest capital rate	3.32%	3.39%

(11) Post-employment benefits

Defined contribution plan

The Company adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

For the years ended December 31, 2022 and 2021, the expenses related to defined contribution plan amounted to NTD 2,000 thousand and NTD 2,022 thousand, respectively.

Defined benefit plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 6% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee, and the Company contributes to the pension fund with an amount equivalent to 3% since February 2011. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandates, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NTD 931 thousand to its defined benefit plan during the 12 months beginning after December 31, 2022.

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NTD 778 thousand and NTD 812 thousand, respectively.

As of December 31, 2022, and 2021, the Company's defined benefits plan were expected to mature to 2033 and 2032, respectively.

Pension cost recognized in profit or loss for the year ended 31 October 2022 was as follows:

	For the year ended 31 December,	
	2022	2021
Current period service costs	$771	$795
Interest income	7	17
Total	$778	$812

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2022	December 31, 2021	January 1, 2021
Defined benefit obligation	$58,608	$51,673	$52,868
Plan assets at fair value	(53,356)	(50,472)	(47,698)
Non-current liabilities-Accrued pension liabilities recognized on the balance sheets	$5,252	$1,201	$5,170

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liability (asset)
As of January 1, 2021	$52,868	$(47,698)	$5,170
Current period service cost	794	-	794
Interest expense (income)	174	(157)	17
Subtotal	53,836	(47,855)	5,981
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(7,705)	-	(7,705)
Experience adjustments	5,542	-	5,542
Return on plan assets	-	(674)	(674)
Subtotal	51,673	(48,529)	3,144
Payments from the plan	-	-	-
Contributions by employer	-	(1,943)	(1,943)
As of December 31, 2021	$51,673	$(50,472)	$1,201
Current period service costs	771	-	771
Net interest expense (income)	305	(298)	7
Subtotal	52,749	(50,770)	1,979
Remeasurements of the net defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in demographic assumptions			
Actuarial gains and losses arising from changes in financial assumptions	7,370	-	7,370
Experience adjustments	1,298	-	1,298
Return on plan assets	-	(3,789)	(3,789)
Subtotal	61,417	(54,559)	6,858
Payments from the plan	(2,809)	2,809	-
Contributions by employer	-	(1,606)	(1,606)
As of December 31, 2022	$58,608	$(53,356)	$5,252

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December,	
	2022	2021
Discount rate	1.29%	0.59%
Expected rate of salary increases	4.00%	2.00%

A sensitivity analysis for significant assumption as of December 31, 2022 and 2021 is as shown below:

	Effect on the defined benefit obligation			
	2022		2021	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	$-	$3,053	$-	$2,741
Discount rate decrease by 0.5%	$3,276	$-	$2,951	$-
Future salary increase by 0.5%	$3,172	$-	$2,894	$-
Future salary decrease by 0.5%	$-	$2,990	$-	$2,717

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(12) Equity

A. Common stock

The Company’s authorized capital and issued capital were both NTD 1,509,517 thousand as of December 31, 2022 and 2021, each at a pair value of NTD 10, divided into 150,952 thousand shares. Each share has one voting right and a right to receive dividends.

B. Additional paid-in capital

	As of December 31,	
	2022	2021
Share of changes in net assets of associates and joint ventures accounted for under the equity method	$3,537	$3,537

According to Taiwan Company Act, the additional paid-in capital shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the additional paid-in capital related to the income derived from the issuance of new shares at a premium or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall offset prior years' operation losses (including adjustment of unassigned retained earnings) and set aside 10% of the remaining amount as legal reserve in accordance with law, but there is no requirement to further make such reserve when legal reserve reaches the capital amount. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution reflects factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets as well as the interest of the shareholders etc., when the Company reserved the required funds, the retained earnings would be distributed in cash or stock.

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

On March 31, 2021, the FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve.

On first-time adoption of the IFRS, the Company's special reserve amounted to NTD 275,001 thousand as of years ended December 31,2022 and 2021. In addition, the Company does not reverse special reserve to undistributed earnings as results of the use, disposal of or reclassification of related assets for the years ended December 31, 2022 and 2021.

Details of the 2022 and 2021 earnings distribution and dividends per shares as proposed and approved by the Board of Directors' meeting on March 8, 2023, and by the shareholders' meeting on May 31, 2022, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2022	2021	2022	2021
Legal reserve	$28,208	$15,968	$-	$-
Common stock-cash dividend	150,952	128,309	1.00	0.85
Total	$179,160	$144,277		

Please refer to Note 6(16) for details on employees' compensation and remuneration to directors.

(13) Operating revenue

	For the year ended December 31,	
	2022	2021
Revenue from customer contracts		
Sales of goods	$571,458	$624,599

A. Disaggregation of revenue

The revenue from the Company's contracts with customers is mainly sale of goods and is recognized according to IFRS15, which is at a point in time.

B. Contract balances

(a) Contract assets – current

None.

(b) Contract liabilities – current

None.

C. Transaction price allocated to unsatisfied performance obligations

None.

D. Assets recognized from costs to fulfil a contract

None.

(14) Expected credit losses/ (gains)

The Company measures the loss allowance of its trade receivable (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2022 and 2021 are as follows:

The Company considers the historical credit loss experience for contract assets shows that different customer segments do not have significantly different loss patterns. Therefore, the loss allowance of contract assets is measured at an amount equal to lifetime expected credit losses and with no distinction between groups, details are as follow:

2022.12.31

	Not yet due	Overdue				
	(Note)	1-120 days	121-180 days	181-365 days	>=366 days	Total
Gross carrying amount	$79,099	$2,280	$-	$-	$-	$81,379
Loss rate	1%	1%	1%	10%	100%	
Lifetime expected credit losses	791	23	-	-	-	814
Total	$78,308	$2,257	$-	$-	$-	$80,565

2021.12.31

	Not yet due	Overdue				
	(Note)	1-120 days	121-180 days	181-365 days	>=366 days	Total
Gross carrying amount	$143,008	$4,034	$-	$-	$-	$147,042
Loss rate	1%	1%	1%	10%	100%	
Lifetime expected credit losses	1,431	40	-	-	-	1,471
Total	$141,577	$3,994	$-	$-	$-	$145,571

Note: The Company's notes receivable is not overdue.

The movement in the provision for impairment of notes receivable and accounts receivable during the years ended December 31, 2022 and 2021 is as follows:

	Notes receivable	Accounts receivable
As of January 1, 2022	$680	$791
Addition/(reversal) for the current periods	(405)	(252)
Write off	-	-
As of December 31, 2022	$275	$539
As of January 1, 2021	$369	$670
Addition/(reversal) for the current periods	311	121
Write off	-	-
As of December 31, 2021	$680	$791

(15) Leases

A. Company as a lessee

The assets leased by the Company are factory buildings and its lease term is 2 years. There are no restrictions placed upon the Company by entering into these leases.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

(a) Amounts recognized in the balance sheet

I. Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2022	2021
Buildings	$1,801	$-

During the year ended December 31, 2022 and 2021, the Company's additions to right-of-use assets amounted to NTD 2,161 thousand and NTD 0 thousand, respectively.

II. Lease liabilities

	As of December 31,	
	2022	2021
Current	$1,120	$-
Non-current	778	-
Total	$1,898	$-

Please refer to Note 6.17(4) for the interest on lease liabilities recognized during the year ended December 31, 2022 and 2021 and refer to Note 12 (6) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2022 and 2021.

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2022	2021
Buildings	$360	$-

(c) Income and costs relating to leasing activities

	For the years ended December 31,	
	2022	2021
The expenses relating to short-term leases	$-	$-

(d) Cash outflow relating to leasing activities

During the year ended December 31, 2022 and 2021, the Company's total cash outflows for leases amounting to NTD 297 thousand NTD 0 thousand, respectively.

B. Company as a lessor

	For the year ended December 31,	
	2022	2021
Lease income for operating leases		
Income relating to fixed lease payments	$571	$508

For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years ended December 31, 2022 and 2021 are as follow:

	As of December 31,	
	2022	2021
Not later than one year	$473	$104
Later than four years but not later than five years	1,080	-
Total	$1,553	$104

(16) Summary statement of employee benefits, depreciation and amortization expenses by function was as follow:

By function / By feature	For the years ended December 31,					
	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Wages and salaries	$53,411	$29,451	$82,862	$51,249	$22,335	$73,584
Labor and health insurance	5,078	733	5,811	5,006	610	5,616
Pension	2,180	598	2,778	2,150	684	2,834
Remuneration to directors	-	6,644	6,644	-	2,307	2,307
Other employee benefits expense	2,235	472	2,707	2,219	549	2,768
Depreciation	13,264	1,054	14,318	13,231	711	13,942
Amortization	-	87	87	-	15	15

A. The numbers of employee of the Company as of December 31, 2022 and 2021, were 88 and 90, including 4 and 3 non-employee directors, respectively.

B. The Company’s average employee benefits expense for the years ended December 31, 2022 and 2021 were NTD 1,121 thousand and NTD 975 thousand, respectively.

C. The Company’s average salaries expense for the years ended December 31, 2022 and 2021 were NTD 986 thousand and NTD 846 thousand, respectively. The Company’s average salary expense adjustment for the years ended December 31, 2022 increase by 16.55%.

The policy on remuneration of directors and managers of the Company is approved by the Remuneration Committee and submitted to the Board for resolution in accordance with the "Measures for the Establishment and Exercise of Powers of the Remuneration Committee of Companies Listed on Stocks or Traded at the Business Premises of Securities Dealers" and the "Payroll Management Rules" of the Company. The policy of directors' remuneration shall be handled in accordance with the provisions of the articles of association, and the carriage fee shall be paid according to the actual attendance at the board of directors. The Manager's Remuneration Policy is determined by taking into account personal experience, performance, contribution to the Company, future potential and the Company's operating performance. The employee remuneration policy includes salary, various allowances, job additions, overtime pay and various bonuses, etc., which are determined according to the responsibilities of employees at all levels and the degree of contribution to the company's operations, and with reference to the salary level in the interbank market.

According to the Articles of Incorporation, at least 5% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit of the year ended December 31, 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2022 to be 5% of profit of the current year and 1% of profit of the current year, respectively, recognized as employee benefits expense. A resolution was passed at a Board of Directors meeting held on March 8, 2023 to distribute NTD 15,138 thousand and NTD 3,028 thousand in cash as employees' compensation and remuneration to directors of 2022, respectively. No material differences exist between the estimated amount and the distribution of the employee compensation and remuneration to directors approved by the board of directors for the year ended 31 December 2022.

A resolution was passed at a Board of Directors meeting held on March 10, 2022 to distribute NTD 8,535 thousand and NTD 1,707 thousand in cash as employees' compensation and remuneration to directors of 2021, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended 31 December 2021.

(17) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2022	2021
Interest income		
Interest on borrowings from bank	$798	$42
Financial assets measured at amortized cost	806	422
Others	319	773
Total	$1,923	$1,237

B. Other income

	For the years ended December 31,	
	2022	2021
Rental income	$571	$508
Dividend income	8,807	17,967
Other income-others	4,225	582
Total	$13,603	$19,057

C. Other gains and losses

	For the years ended December 31,	
	2022	2021
Gains on disposal of property, plant and equipment	$-	$571
Gains on disposal of investments	-	16,616
Foreign exchange gains, net	4,404	851
Others	(14,436)	(11,791)
Total	$(10,032)	$6,247

C. Finance costs

	For the years ended December 31,	
	2022	2021
Interest on lease liabilities	$34	$-

(18) Components of other comprehensive income

For the year ended December 31, 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense) relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(4,879)	$-	$(4,879)	$975	$(3,904)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	2,504	-	2,504	-	2,504
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	74	-	74	-	74
To be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	3,861	-	3,861	-	3,861
Total of other comprehensive income	$1,560	$-	$1,560	$975	$2,535

For the year ended December 31, 2021

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense) relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$2,837	$-	$2,837	$(567)	$2,270
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	25,900	-	25,900	-	25,900
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(74)	-	(74)	-	(74)
To be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	(86)	-	(86)	-	(86)
Total of other comprehensive income	$28,577	$-	$28,577	$(567)	$28,010

(19) Income tax

The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended December 31,	
	2022	2021
Current income tax expense (income):		
Current income tax charge	$770	$3,557
Adjustment in respect of current income tax of prior period	(75)	(775)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(2,014)	192
Total income tax (income) expense	$(1,319)	$2,974

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2022	2021
Deferred tax expense (income):		
Remeasurement of defined benefit plans	$(975)	$567
Income tax relating to components of other comprehensive income	$(975)	$567

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	$284,589	$160,461
Tax at the domestic rates applicable to profits in the country concerned	$56,918	$32,092
Tax effect of revenues exempt from taxation	(58,974)	(28,509)
Tax effect of expenses not deductible for tax purposes	42	42
Adjustments in respect of current income tax of prior periods	(75)	(775)
Others	770	124
Total income tax (income) expense recognized in profit or loss	$(1,319)	$2,974

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2022

	Beginning balance as of January 1, 2022	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2022
Temporary differences				
Unrealized loss due to market price decline of inventories	$649	$1,965	$-	$2,614
Unrealized loss (gain) on foreign exchange	17	(5)	-	12
Preparation for land value increment tax	(109,357)	-	-	(109,357)
Net defined benefits liabilities - Non-current	931	54	975	1,960
Deferred tax income/ (expense)		2,014	975	
Net deferred tax assets/(liabilities)	$(107,760)			$(104,771)
Reflected in balance sheet as follows:				
Deferred tax assets	$1,597			$4,586
Deferred tax liabilities	$109,357			$109,357

For the year ended December 31, 2022

	Beginning balance as of January 1, 2021	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2021
Temporary differences				
Unrealized loss due to market price decline of inventories	$649	$-	$-	$649
Unrealized loss (gain) on foreign exchange	(17)	34	-	17
Preparation for land value increment tax	(109,357)	-	-	(109,357)
Net defined benefits liabilities - Non-current	1,724	(226)	(567)	931
Deferred tax income/ (expense)		(192)	(567)	
Net deferred tax assets/(liabilities)	$(107,001)			$(107,760)
Reflected in balance sheet as follows:				
Deferred tax assets	$2,373			$1,597
Deferred tax liabilities	$109,374			$109,357

<u>Information about undistributed earnings</u>

	As of December 31,	
	2022	2021
Before 1997 (inclusive)	$1,428	$1,428
After 1998 (inclusive)	369,996	232,195
Total	$371,424	$233,623

As of December 31, 2022, the assessment of the income tax returns of the Company was assessed and approved up to 2020.

(20) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the year ended December 31,	
	2022	2021
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	$285,908	$157,487
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	150,952	150,952
Basic earnings per share (NTD)	$1.89	$1.04

	For the year ended December 31,	
	2022	2021
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	$285,908	$157,487
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	150,952	150,952
Effect of dilution:		
Employee compensation－stock (in thousands)	604	342
Weighted average number of ordinary shares outstanding after dilution (in thousands)	151,556	151,294
Diluted earnings per share (NTD)	$1.89	$1.04

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. Related party transactions

(1) Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Reward Wool Industry Corporation	The major shareholder of the Company is the major corporate shareholders of the Company

Significant transactions with related parties

A. Sales

	For the year ended December 31,	
	2022	2021
Reward Wool Industry Corporation	$74	$33

B. Lease-related parties

Right-of-use assets

	As of December 31,	
	2022	2021
Reward Wool Industry Corporation	$1,801	$-

Lease liabilities

	As of December 31,	
	2022	2021
Reward Wool Industry Corporation	$1,898	$-

Interest expenses

	For the year ended December 31,	
	2022	2021
Reward Wool Industry Corporation	$34	$-

The method of determining the rent of the premises and the rent collection leased from the related party is not materially different from that of ordinary tenants, and is based on local conditions and the consideration of the price agreed by both parties according to the location, floor and area of the lease.

C. Refundable deposits

	As of December 31,	
	2022	2021
Reward Wool Industry Corporation	$198	$-

Note: Under other non-current assets.

D. Others

(a) For the years ended December 31, 2022 and 2021, the Company paid to Reward Wool Industry Corporation information usage fees both in the amount of NTD 1,841 thousand.

(b) For the years ended December 31, 2022 and 2021, the Company paid the management fees of the Xinwu warehouse to Reward Wool Industry Corporation amounted to NTD 12 thousand and NTD 0 thousand, respectively.

(2) Key management personnel compensation

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	$10,303	$11,647
post-employment benefits	273	332
Total	$10,576	$11,979

8. Assets pledged as security

None.

9. Significant contingencies and unrecognized contractual commitments

As of December 31, 2022, the Company's commitments and contingencies not disclosed in the financial statements are as follows:

(1) The Company applied for financial institution commitments in order to provide a guarantee for the import duty in the amount of NTD 5,000 thousand.

(2) The Repurchase agreement classified in cash and cash equivalents was NTD 19,955 thousand, which was agreed to be sold back for NTD 19,971 thousand before January 16, 2023.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2022	2021
Financial assets at fair value through other comprehensive income	$236,633	$222,215
Financial asset amortized at cost:		
Cash and cash equivalents (exclude cash on hand and petty cash)	182,690	231,670
Financial asset amortized at cost	79,743	84,140
Notes receivables	27,182	67,311
Accounts receivables (including related parties)	53,383	78,260
Other receivables (including related parties)	314	3,273
Other non-current assets-Refundable deposits	1,822	3,102
Total	$581,767	$689,971

Financial liabilities

	As of December 31,	
	2022	2021
Financial liabilities at amortized cost:		
Accounts payables	$47,076	$42,965
Lease liabilities (including the current portion)	1,898	-
Guarantee deposits received	300	300
Total	$49,274	$43,265

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company’s profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Company’s foreign currency risk is mainly related to volatility in the exchange rates of USD dollars and JPY dollars. The information of the sensitivity analyses is as follows:

When NTD strengthens/weakens against foreign currency USD by 1%, the profit for the years ended 31 December 2022 and 2021 is decreased/increased by NTD 849 thousand and NTD 187 thousand, respectively.

When NTD strengthens/weakens against foreign currency JPY by 1%, the profit for the years ended 31 December 2022 and 2021 is decreased/increased by NTD 0 thousand and NTD 12 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's commercial notes, time deposits and non-active market bond investments are fixed interest rate claims, therefore, there is no cash flow risk of interest rate changes.

Equity price risk

The fair value of the Company’s listed equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company’s listed equity securities is classified under financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through placing limits on individual equity instruments. Reports on the equity portfolio are submitted to the Company’s senior management on a regular basis. The Company’s Board of Directors reviews and approves all equity investment decisions.

For the year ended December 31, 2022 and 2021, a change of 5% in the price of the listed companies’ stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NTD 11,831 thousand and NTD 11,111 thousand on the equity attributable to the Company, respectively.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivable and notes receivable) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2022, and 2021, accounts receivables from top ten customers represent 60.55% and 70.17% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, and companies with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings and finance leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

<u>Non-derivative financial liabilities</u>

	Less Than 1 Year	2-3 Years	4-5 Years	More than 5 Years	Total
As of December 31, 2022					
Accounts payables	$47,076	$-	$-	$-	$47,076
Lease liabilities	1,120	778	-	-	1,898
Guarantee deposits	-	-	-	300	300
As of December 31, 2021					
Accounts payables	$42,965	$-	$-	$-	$42,965
Guarantee deposits	-	-	-	300	300

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2022:

	Leases liabilities	Total liabilities from financing activities
As of January 1, 2022	$-	$-
Cash flows	(297)	(297)
Non-cash changes	2,195	2,195
As of December 31, 2022	$1,898	$1,898

Reconciliation of liabilities for the year ended December 31, 2021:

None.

(7) Fair value of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

(a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturities.
(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds etc.) at the reporting date.
(c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
(d) Fair value of debt instruments without market quotations, bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair value of financial instruments measured at amortized cost

The carrying amounts of the Company's financial assets (including the investment of debt instruments without market quotations) and liabilities measured at amortized cost approximated their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Company.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Stocks	$236,633	$-	$-	$236,633

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Stocks	$222,215	$-	$-	$222,215

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

D. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investments accounted for using the equity method (Please refer to Note 6 (10))	$-	$-	$5,070,795	$5,070,795

As of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investments accounted for using the equity method (Please refer to Note 6 (10))	$-	$-	$4,579,323	$4,579,323

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of December 31, 2022		
	Foreign currencies	Foreign exchange rate	NTD (thousands)
Financial Assets			
Monetary items:			
USD	$2,768	30.66	$84,867
JPY	3	0.2304	1

	As of December 31, 2021		
	Foreign currencies	Foreign exchange rate	NTD (thousands)
Financial Assets			
Monetary items:			
USD	$677	27.63	$18,703
JPY	4,953	0.2385	1,181

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Since there were various functional currencies used within the Company, the Company was unable to disclose foreign exchange gains (losses) towards each foreign currency with significant impact. The realized and unrealized foreign exchange gain was NTD 4,404 thousand and NTD 851 thousand for the years ended December 31, 2022 and 2021, respectively.

(10) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions:

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: None.

C. Securities held as of December 31, 2022: Please refer to attachment 1.

D. Individual securities acquired or disposed of with accumulated amount exceeding NTD 300 million or 20 percent of the capital stock for the years ended December 31, 2022: None.

E. Acquisition of real estate with amount exceeding the lower of NTD 300 million or 20 percent of the capital stock for the years ended December 31, 2022: None.

F. Disposal of real estate with amount exceeding the lower of NTD 300 million or 20 percent of the capital stock for the years ended December 31, 2022: None.

G. Related party transactions for purchases and sales amounts exceeding the lower of NTD 100 million or 20 percent of the capital stock for the years ended December 31, 2022: None.

H. Receivables from related parties with amounts exceeding the lower of NTD 100 million or 20 percent of capital stock for the years ended December 31, 72022: None.

I. Financial instruments and derivative transactions: None.

(2) Information on investees

A. Of the investee company excluding investees in Mainland China directly or indirectly has a significant influence, control or joint venture control over, their investee companies' information: Please refer to attachment 2.

B. The Company has direct or indirect control over the investee company, and the information on the major transactions of the investee company: None.

(3) Information on investments in mainland China: None.

(4) Information on major shareholders: Please refer to attachment 3.

14. Segment information

(1) General information

The Company mainly manufactures and sells sodium hydrosulfite, zinc oxide, sodium formaldehyde sulfoxylate and other chemical products. The Company's operational decision maker is responsible to review the Company's overall operating results for the purpose of making decisions about resource allocation and performance assessment, therefore it is the sole operating department.

(2) Geographical information

Revenues from external customers:

Region	For the year ended December 31, 2022	2021
Taiwan	$324,129	$394,002
Asia	241,530	224,146
America	5,799	5,751
New Zealand and Australia	-	700
Total	$571,458	$624,599

A. Revenue is categorized based on the customer’s country.

B. The amount of non-current assets (excluding financial instruments and deferred tax assets) of the Company as of December 31, 2022 and 2021, was NTD 984,577 thousand and NTD 988,869 thousand, respectively, all of which were in Taiwan.

(3) Significant customers information

Sales revenue	For the year ended December 31, 2022	2021
Customer A	(Note)	$63,560

Note: There is no individual external customer’s sales revenue accounted for up to 10% or more of the Company’s net sales.

Attachment 1: Securities held (excluding investments in associates and joint ventures)

Held Company Name	Marketable Securities Type and Name (Note 1)	Relationship with the Company (Note 2)	Financial Statement Account	As of December 31, 2022				Remark
				Shares / Units	Carrying Value (Note3)	Percentage of ownership(%)	Fair Value	(Note 4)
Cathay Chemical Works Inc.	Stock - Reward Wool Industry Corporation	The major shareholder of the the Company is the major corporate shareholders of the Company	Financial assets at fair value through other comprehensive income, noncurrent	11,744	$236,633	8.49%	$236,633	

Note1：The securities herein shall refer to stocks, bonds, beneficiary certificates and other marketable securities derived from the above items in the scope of IFRS 9-Financial Instruments.

Note2：Securities issued by non-related parties are not required to fill in this column.

Note3：For items measured at fair value, the carrying value is the balance of the book value adjusted by fair value valuation deducting accumulated impairment. For items not measured at fair value, the carrying value is the book value balance of the historical cost or amortized cost after deducting accumulated impairment.

Note4：Securities with restrictions because of being provided for security, as pledge or under other covenants should state the number of shares or dollar amount provided for security or pledge and the restriction terms.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Attachment 2: Name, location and related information of investee (excluding investees in Mainland China)

Investor Company	Investee Company (Note1,2)	Address	Main Businesses and Products	Initial Investment Amount		Investment as of December 31, 2022			Net Income (Loss) of Investee Company (Note2(2))	Investment Income (Loss) Recognized (Note2(3))	Remark
				Ending Balance	Beginning Balance	Number of Shares	Percentage of Ownership	Book Value			
Cathay Chemical Works Inc.	Taiwan Puritic Corp.	No. 33, Guangfu S. Rd., Hukou Township, Hsinchu County	Integrated circuit semiconductors, electronics, computer instruments and equipments, chemicals, gas filter purifiers and their spare material parts.	$233,274	$220,092	18,135	29.83%	$903,906	$938,388	$286,061	

Note 1: If a publicly offered company has a foreign holding company and uses consolidated statements as its main financial statements in accordance with local laws and regulations, the disclosure of information about the foreign invested company may only disclose the relevant information of the holding company.

Note 2: For cases other than those described in Note 1, fill in the following provisions:

(1) The columns of "name of the invested company", "region", "main business items", "original investment amount" and "shareholding at the end of the period" should be filled in in the order according to the situation of the reinvestmentof the (public offering) company and the reinvestment situation of each investee company directly or indirectly controlled, and indicate the relationship between each investee company and the (publicly offered) company (if it is a subsidiary or grandchild) in the remarks column.

(2) In column B of "Profit and Loss of the Invested Company", the amount of the current profit and loss of each invested company should be filled in.

(3) In column B of "Investment Profit and Loss Recognized in the Current Period", only the profit and loss amount of each subsidiary of the (publicly offered) company recognized for direct investment and each invested company evaluated by the equity method must be filled in. When filling in the "Recognition of the current profit or loss amount of each subsidiary of direct reinvestment", it should be confirmed that the current profit and loss amount of each subsidiary already includes the investment profit or loss that should be recognized according to the regulations for its reinvestment.

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Attachment 3: Major shareholders information

Shares / Name of Major Shareholder	Number of shares held	Shareholding ratio
Zhong Cheng Investment Co., Ltd	22,133,942	14.66%
Hengchang Investment Co., Ltd	19,534,906	12.94%
Litai Investment Co., Ltd	15,956,550	10.57%
Su, Jun-cheng	14,099,000	9.34%
Reward Wool Industry Corporation	10,274,428	6.80%

Note 1: The attachment disclosing the information on major shareholders is provided by the Taiwan Depository & Clearing Corp. based on the calculation of shareholders with over 5% ownership of the Company's total common stock delivered without physical registration on the last business day at the end of each quarter. The number of shares recorded in the Company's financial statements and the actual number of shares delivered without physical registration may be different due to the basis of preparation.

Note 2: The information above is disclosed by the individual trustee's trust account opened by the trustee if the shareholder is delivered to the trust by the shareholder. For shareholders holding more than 10% of their shares in accordance with the Securities and Exchange Act, their shareholdings include their own shares plus their shares delivered to the trust and have the right to exercise the use of the trust property. Please refer to the MOPS for information on the reporting of insider shares.