

# **China Glaze Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2022 and 2021 and  
Independent Auditors' Report**

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
China Glaze Co., Ltd.

#### Opinion

We have audited the accompanying consolidated financial statements of China Glaze Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2022 is described as follows:

#### Recognition of Revenue from Export Sales

The Group's revenues are generated mainly from the export sales of ceramic pigment and glazes. Since revenues that arose from export sales to the Group's major customers represented over 39% of the total revenue for 2022 and were considered to be significant, revenue recognition for export sales from major customers was deemed to be the key audit matter. Refer to Notes 4 and 21 for information relating to the accounting policies for recognition of revenue.

Our audit procedures performed included the following:

1. We obtained an understanding of the internal controls relating to the revenue from export sales, and we have tested the operating effectiveness of the key controls.
2. We selected samples from export sales revenue of major customers and verified the occurrence and validity of these specific sales by performing test of details and matching data in the trade documents.

#### **Other Matter**

We did not audit the financial statements of certain subsidiaries included in the consolidated financial statements of the Group, but such statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for the abovementioned subsidiaries, is based solely on the report of other auditors. As of December 31, 2022 and 2021, the total assets of the abovementioned subsidiaries were \$556,757 thousand and \$480,245 thousand, respectively, and constituted 12% and 11% of consolidated total assets, respectively; and for the years ended December 31, 2022 and 2021, total revenues were \$330,517 thousand and \$148,800 thousand, respectively, and constituted 13% and 7% of consolidated total revenue, respectively.

We have also audited the parent company only financial statements of China Glaze Co., Ltd. as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion with other matter paragraph.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 consolidated 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:

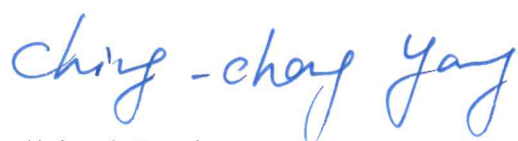
1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Ching-Cheng Yang and Shih-Chieh Chou.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China



March 27, 2023

Notice to Readers

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

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

# CHINA GLAZE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

| ASSETS                                                                              | 2022                |            | 2021                |            |
|-------------------------------------------------------------------------------------|---------------------|------------|---------------------|------------|
|                                                                                     | Amount              | %          | Amount              | %          |
| CURRENT ASSETS                                                                      |                     |            |                     |            |
| Cash and cash equivalents (Notes 4 and 6)                                           | \$ 611,783          | 13         | \$ 676,684          | 16         |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7)     | 29,120              | -          | 30,076              | 1          |
| Financial assets at amortized cost - current (Notes 4, 8 and 28)                    | 77,411              | 2          | 171,902             | 4          |
| Contract assets - current (Notes 4 and 21)                                          | 11,340              | -          | 5,707               | -          |
| Notes receivable (Notes 4 and 21)                                                   | 81,939              | 2          | 49,093              | 1          |
| Trade receivables (Notes 4, 9 and 21)                                               | 563,424             | 12         | 499,148             | 11         |
| Other receivables (Note 9)                                                          | 24,965              | -          | 14,087              | -          |
| Current tax assets (Notes 4 and 23)                                                 | 207                 | -          | 10,520              | -          |
| Inventories (Notes 4 and 10)                                                        | 841,363             | 18         | 688,516             | 16         |
| Other current assets (Note 15)                                                      | <u>98,019</u>       | <u>2</u>   | <u>122,593</u>      | <u>3</u>   |
| Total current assets                                                                | <u>2,339,571</u>    | <u>49</u>  | <u>2,268,326</u>    | <u>52</u>  |
| NON-CURRENT ASSETS                                                                  |                     |            |                     |            |
| Financial assets at fair value through profit or loss - non-current (Notes 4 and 7) | 479                 | -          | 573                 | -          |
| Financial assets at amortized cost - non-current (Notes 4, 8 and 28)                | 241,410             | 5          | 123,224             | 3          |
| Property, plant and equipment (Notes 4, 12 and 28)                                  | 1,811,569           | 38         | 1,648,455           | 38         |
| Right-of-use assets (Notes 4, 13 and 27)                                            | 154,200             | 3          | 154,208             | 3          |
| Investment properties (Notes 4, 14 and 28)                                          | 112,873             | 3          | 107,625             | 2          |
| Intangible assets                                                                   |                     |            |                     |            |
| Goodwill (Note 4)                                                                   | 14,072              | -          | 14,072              | -          |
| Other intangible assets (Note 4)                                                    | 2,672               | -          | 2,770               | -          |
| Deferred tax assets (Notes 4 and 23)                                                | 30,803              | 1          | 26,286              | 1          |
| Other non-current assets (Note 15)                                                  | <u>24,953</u>       | <u>1</u>   | <u>38,326</u>       | <u>1</u>   |
| Total non-current assets                                                            | <u>2,393,031</u>    | <u>51</u>  | <u>2,115,539</u>    | <u>48</u>  |
| TOTAL                                                                               | <u>\$ 4,732,602</u> | <u>100</u> | <u>\$ 4,383,865</u> | <u>100</u> |
| LIABILITIES AND EQUITY                                                              |                     |            |                     |            |
| CURRENT LIABILITIES                                                                 |                     |            |                     |            |
| Short-term borrowings (Notes 16 and 28)                                             | \$ 527,224          | 11         | \$ 448,350          | 10         |
| Short-term bills payable (Note 16)                                                  | 99,933              | 2          | 99,970              | 2          |
| Contract liabilities - current (Notes 4 and 21)                                     | 13,805              | -          | 11,671              | -          |
| Notes payable (Note 17)                                                             | 2,458               | -          | 12,638              | 1          |
| Trade payables (Note 17)                                                            | 218,293             | 5          | 126,332             | 3          |
| Lease liabilities - current (Notes 4, 13 and 27)                                    | 5,868               | -          | 4,104               | -          |
| Other payables (Note 18)                                                            | 129,174             | 3          | 115,198             | 3          |
| Current tax liabilities (Notes 4 and 23)                                            | 14,236              | -          | 6,915               | -          |
| Current portion of long-term borrowings and bonds payable (Notes 16 and 28)         | 66,667              | 2          | 40,000              | 1          |
| Other current liabilities (Note 18)                                                 | <u>15,003</u>       | <u>-</u>   | <u>9,469</u>        | <u>-</u>   |
| Total current liabilities                                                           | <u>1,092,661</u>    | <u>23</u>  | <u>874,647</u>      | <u>20</u>  |
| NON-CURRENT LIABILITIES                                                             |                     |            |                     |            |
| Long-term borrowings (Notes 16 and 28)                                              | 133,333             | 3          | 30,000              | 1          |
| Deferred tax liabilities (Notes 4 and 23)                                           | -                   | -          | 7,559               | -          |
| Lease liabilities - non-current (Notes 4, 13 and 27)                                | 64,736              | 1          | 63,382              | 1          |
| Other non-current liabilities                                                       |                     |            |                     |            |
| Net defined benefit liabilities (Notes 4 and 19)                                    | 15,702              | 1          | 26,366              | 1          |
| Guarantee deposits received                                                         | <u>6,615</u>        | <u>-</u>   | <u>3,522</u>        | <u>-</u>   |
| Total non-current liabilities                                                       | <u>220,386</u>      | <u>5</u>   | <u>130,829</u>      | <u>3</u>   |
| Total liabilities                                                                   | <u>1,313,047</u>    | <u>28</u>  | <u>1,005,476</u>    | <u>23</u>  |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)                       |                     |            |                     |            |
| Share capital                                                                       |                     |            |                     |            |
| Ordinary shares                                                                     | <u>1,670,419</u>    | <u>35</u>  | <u>1,670,419</u>    | <u>38</u>  |
| Capital surplus                                                                     | <u>127,981</u>      | <u>3</u>   | <u>127,981</u>      | <u>3</u>   |
| Retained earnings                                                                   |                     |            |                     |            |
| Legal reserve                                                                       | 356,144             | 7          | 351,978             | 8          |
| Special reserve                                                                     | 264,750             | 6          | 99,759              | 2          |
| Unappropriated earnings                                                             | <u>660,189</u>      | <u>14</u>  | <u>801,913</u>      | <u>19</u>  |
| Total retained earnings                                                             | <u>1,281,083</u>    | <u>27</u>  | <u>1,253,650</u>    | <u>29</u>  |
| Other equity                                                                        | <u>(128,186)</u>    | <u>(3)</u> | <u>(164,991)</u>    | <u>(4)</u> |
| Total equity attributable to owners of the Company                                  | 2,951,297           | 62         | 2,887,059           | 66         |
| NON-CONTROLLING INTERESTS (Note 11)                                                 | <u>468,258</u>      | <u>10</u>  | <u>491,330</u>      | <u>11</u>  |
| Total equity                                                                        | <u>3,419,555</u>    | <u>72</u>  | <u>3,378,389</u>    | <u>77</u>  |
| TOTAL                                                                               | <u>\$ 4,732,602</u> | <u>100</u> | <u>\$ 4,383,865</u> | <u>100</u> |

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

(With Deloitte & Touche auditors' report dated March 27, 2023)

# CHINA GLAZE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

|                                                           | 2022               |             | 2021               |             |
|-----------------------------------------------------------|--------------------|-------------|--------------------|-------------|
|                                                           | Amount             | %           | Amount             | %           |
| OPERATING REVENUE (Notes 4 and 21)                        | \$ 2,592,031       | 100         | \$ 2,198,797       | 100         |
| OPERATING COSTS (Notes 4, 10, 19 and 22)                  | <u>(2,063,141)</u> | <u>(80)</u> | <u>(1,756,069)</u> | <u>(80)</u> |
| GROSS PROFIT                                              | <u>528,890</u>     | <u>20</u>   | <u>442,728</u>     | <u>20</u>   |
| OPERATING EXPENSES (Notes 4, 9, 19, 22 and 27)            |                    |             |                    |             |
| Selling and marketing expenses                            | (273,072)          | (11)        | (230,561)          | (10)        |
| General and administrative expenses                       | (199,954)          | (8)         | (217,731)          | (10)        |
| Research and development expenses                         | (63,931)           | (2)         | (44,317)           | (2)         |
| Expected credit (loss) gain                               | <u>(29,156)</u>    | <u>(1)</u>  | <u>9,207</u>       | <u>-</u>    |
| Total operating expenses                                  | <u>(566,113)</u>   | <u>(22)</u> | <u>(483,402)</u>   | <u>(22)</u> |
| OTHER OPERATING INCOME AND EXPENSES<br>(Notes 13 and 22)  | <u>26,401</u>      | <u>1</u>    | <u>26,903</u>      | <u>1</u>    |
| LOSS FROM OPERATIONS                                      | <u>(10,822)</u>    | <u>(1)</u>  | <u>(13,771)</u>    | <u>(1)</u>  |
| NON-OPERATING INCOME AND EXPENSES<br>(Notes 4, 22 and 27) |                    |             |                    |             |
| Interest income                                           | 9,583              | -           | 8,888              | -           |
| Other income                                              | 11,212             | -           | 23,224             | 1           |
| Other gains and losses                                    | 38,961             | 2           | 25,705             | 1           |
| Finance costs                                             | <u>(11,165)</u>    | <u>-</u>    | <u>(8,129)</u>     | <u>-</u>    |
| Total non-operating income and expenses                   | <u>48,591</u>      | <u>2</u>    | <u>49,688</u>      | <u>2</u>    |
| PROFIT BEFORE INCOME TAX                                  | 37,769             | 1           | 35,917             | 1           |
| INCOME TAX EXPENSE (Notes 4 and 23)                       | <u>(5,810)</u>     | <u>-</u>    | <u>(6,590)</u>     | <u>-</u>    |
| NET PROFIT FOR THE YEAR                                   | <u>31,959</u>      | <u>1</u>    | <u>29,327</u>      | <u>1</u>    |

(Continued)

# CHINA GLAZE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|                                                                                          | 2022             |            | 2021             |            |
|------------------------------------------------------------------------------------------|------------------|------------|------------------|------------|
|                                                                                          | Amount           | %          | Amount           | %          |
| OTHER COMPREHENSIVE INCOME (LOSS)                                                        |                  |            |                  |            |
| (Notes 4, 11, 19 and 23)                                                                 |                  |            |                  |            |
| Items that will not be reclassified subsequently to profit or loss:                      |                  |            |                  |            |
| Remeasurement of defined benefit plans                                                   | \$ 8,011         | -          | \$ (540)         | -          |
| Income tax related to items that will not be reclassified subsequently to profit or loss | (1,605)          | -          | 103              | -          |
|                                                                                          | <u>6,406</u>     | -          | <u>(437)</u>     | -          |
| Items that may be reclassified subsequently to profit or loss:                           |                  |            |                  |            |
| Exchange differences on translation of the financial statements of foreign operations    | <u>44,712</u>    | <u>2</u>   | <u>(28,282)</u>  | <u>(1)</u> |
| Other comprehensive income (loss) for the year, net of income tax                        | <u>51,118</u>    | <u>2</u>   | <u>(28,719)</u>  | <u>(1)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR                                                  | <u>\$ 83,077</u> | <u>3</u>   | <u>\$ 608</u>    | <u>-</u>   |
| NET PROFIT ATTRIBUTABLE TO:                                                              |                  |            |                  |            |
| Owner(s) of the Company                                                                  | \$ 62,787        | 2          | \$ 42,099        | 2          |
| Non-controlling interests                                                                | <u>(30,828)</u>  | <u>(1)</u> | <u>(12,772)</u>  | <u>(1)</u> |
|                                                                                          | <u>\$ 31,959</u> | <u>1</u>   | <u>\$ 29,327</u> | <u>1</u>   |
| TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:                                       |                  |            |                  |            |
| Owner(s) of the Company                                                                  | \$ 105,998       | 4          | \$ 18,846        | 1          |
| Non-controlling interests                                                                | <u>(22,921)</u>  | <u>(1)</u> | <u>(18,238)</u>  | <u>(1)</u> |
|                                                                                          | <u>\$ 83,077</u> | <u>3</u>   | <u>\$ 608</u>    | <u>-</u>   |
| EARNINGS PER SHARE (Note 24)                                                             |                  |            |                  |            |
| From continuing operations                                                               |                  |            |                  |            |
| Basic                                                                                    | <u>\$ 0.38</u>   |            | <u>\$ 0.25</u>   |            |
| Diluted                                                                                  | <u>\$ 0.38</u>   |            | <u>\$ 0.25</u>   |            |

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

(With Deloitte & Touche auditors' report dated March 27, 2023)

(Concluded)



# CHINA GLAZE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

|                                                                                              | Equity Attributable to Owners of the Company |                     |                   |                   |                   |                            | Other Equity<br>Exchange<br>Differences on<br>Translation of<br>the Financial<br>Statements of<br>Foreign<br>Operations | Total               | Non-controlling<br>Interests | Total Equity        |
|----------------------------------------------------------------------------------------------|----------------------------------------------|---------------------|-------------------|-------------------|-------------------|----------------------------|-------------------------------------------------------------------------------------------------------------------------|---------------------|------------------------------|---------------------|
|                                                                                              | Share Capital                                |                     | Capital Surplus   | Retained Earnings |                   |                            |                                                                                                                         |                     |                              |                     |
|                                                                                              | Shares (In<br>Thousands)                     | Amounts             |                   | Legal Reserve     | Special Reserve   | Unappropriated<br>Earnings |                                                                                                                         |                     |                              |                     |
| BALANCE AT JANUARY 1, 2021                                                                   | <u>167,042</u>                               | <u>\$ 1,670,419</u> | <u>\$ 127,981</u> | <u>\$ 351,978</u> | <u>\$ 99,759</u>  | <u>\$ 793,659</u>          | <u>\$ (142,175)</u>                                                                                                     | <u>\$ 2,901,621</u> | <u>\$ 567,537</u>            | <u>\$ 3,469,158</u> |
| Appropriation of 2020 earnings                                                               |                                              |                     |                   |                   |                   |                            |                                                                                                                         |                     |                              |                     |
| Cash dividends distributed by the Company                                                    | <u>-</u>                                     | <u>-</u>            | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>(33,408)</u>            | <u>-</u>                                                                                                                | <u>(33,408)</u>     | <u>-</u>                     | <u>(33,408)</u>     |
| Net profit (loss) for the year ended December 31, 2021                                       | <u>-</u>                                     | <u>-</u>            | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>42,099</u>              | <u>-</u>                                                                                                                | <u>42,099</u>       | <u>(12,772)</u>              | <u>29,327</u>       |
| Other comprehensive income (loss) for the year ended<br>December 31, 2021, net of income tax | <u>-</u>                                     | <u>-</u>            | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>(437)</u>               | <u>(22,816)</u>                                                                                                         | <u>(23,253)</u>     | <u>(5,466)</u>               | <u>(28,719)</u>     |
| Total comprehensive income (loss) for the year ended<br>December 31, 2021                    | <u>-</u>                                     | <u>-</u>            | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>41,662</u>              | <u>(22,816)</u>                                                                                                         | <u>18,846</u>       | <u>(18,238)</u>              | <u>608</u>          |
| Changes in non-controlling interests due to reduction of<br>capital of subsidiaries          | <u>-</u>                                     | <u>-</u>            | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>                   | <u>-</u>                                                                                                                | <u>-</u>            | <u>(57,969)</u>              | <u>(57,969)</u>     |
| BALANCE AT DECEMBER 31, 2021                                                                 | <u>167,042</u>                               | <u>1,670,419</u>    | <u>127,981</u>    | <u>351,978</u>    | <u>99,759</u>     | <u>801,913</u>             | <u>(164,991)</u>                                                                                                        | <u>2,887,059</u>    | <u>491,330</u>               | <u>3,378,389</u>    |
| Appropriation of 2021 earnings                                                               |                                              |                     |                   |                   |                   |                            |                                                                                                                         |                     |                              |                     |
| Legal reserve                                                                                | <u>-</u>                                     | <u>-</u>            | <u>-</u>          | <u>4,166</u>      | <u>-</u>          | <u>(4,166)</u>             | <u>-</u>                                                                                                                | <u>-</u>            | <u>-</u>                     | <u>-</u>            |
| Special reserve                                                                              | <u>-</u>                                     | <u>-</u>            | <u>-</u>          | <u>-</u>          | <u>164,991</u>    | <u>(164,991)</u>           | <u>-</u>                                                                                                                | <u>-</u>            | <u>-</u>                     | <u>-</u>            |
| Cash dividends distributed by the Company                                                    | <u>-</u>                                     | <u>-</u>            | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>(41,760)</u>            | <u>-</u>                                                                                                                | <u>(41,760)</u>     | <u>-</u>                     | <u>(41,760)</u>     |
| Net profit (loss) for the year ended December 31, 2022                                       | <u>-</u>                                     | <u>-</u>            | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>62,787</u>              | <u>-</u>                                                                                                                | <u>62,787</u>       | <u>(30,828)</u>              | <u>31,959</u>       |
| Other comprehensive income (loss) for the year ended<br>December 31, 2022, net of income tax | <u>-</u>                                     | <u>-</u>            | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>6,406</u>               | <u>36,805</u>                                                                                                           | <u>43,211</u>       | <u>7,907</u>                 | <u>51,118</u>       |
| Total comprehensive income (loss) for the year ended<br>December 31, 2022                    | <u>-</u>                                     | <u>-</u>            | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>69,193</u>              | <u>36,805</u>                                                                                                           | <u>105,998</u>      | <u>(22,921)</u>              | <u>83,077</u>       |
| Changes in non-controlling interests                                                         | <u>-</u>                                     | <u>-</u>            | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>                   | <u>-</u>                                                                                                                | <u>-</u>            | <u>(151)</u>                 | <u>(151)</u>        |
| BALANCE AT DECEMBER 31, 2022                                                                 | <u>167,042</u>                               | <u>\$ 1,670,419</u> | <u>\$ 127,981</u> | <u>\$ 356,144</u> | <u>\$ 264,750</u> | <u>\$ 660,189</u>          | <u>\$ (128,186)</u>                                                                                                     | <u>\$ 2,951,297</u> | <u>\$ 468,258</u>            | <u>\$ 3,419,555</u> |

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

(With Deloitte & Touche auditors' report dated March 27, 2023)

# CHINA GLAZE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

|                                                                                 | 2022      | 2021      |
|---------------------------------------------------------------------------------|-----------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES                                            |           |           |
| Income before income tax                                                        | \$ 37,769 | \$ 35,917 |
| Adjustments for:                                                                |           |           |
| Depreciation expense                                                            | 83,076    | 83,117    |
| Amortization expense                                                            | 139       | 140       |
| Expected credit loss recognized/(reversed) on trade receivables                 | 29,156    | (9,207)   |
| Net loss (gain) on financial assets at fair value through profit or loss        | 4,016     | (510)     |
| Finance costs                                                                   | 11,165    | 8,129     |
| Interest income                                                                 | (9,583)   | (8,888)   |
| Dividend income                                                                 | (1,358)   | (1,322)   |
| Gain on disposal of property, plant and equipment                               | (26,611)  | (971)     |
| Gain on disposal of investments                                                 | (389)     | (1,100)   |
| Write-down of inventories                                                       | -         | 8,211     |
| Reversal of write-down of inventories                                           | (3,772)   | -         |
| Gain on modification of leases                                                  | -         | (32,938)  |
| Changes in operating assets and liabilities                                     |           |           |
| Financial assets mandatorily classified as at fair value through profit or loss | (2,577)   | (26,481)  |
| Contract assets                                                                 | (5,633)   | (2,196)   |
| Notes receivable                                                                | (32,846)  | 25,996    |
| Trade receivables                                                               | (92,922)  | (19,639)  |
| Other receivables                                                               | (9,571)   | (746)     |
| Inventories                                                                     | (150,837) | (71,633)  |
| Other current assets                                                            | 23,809    | (20,429)  |
| Contract liabilities                                                            | 2,134     | (4,261)   |
| Notes payable                                                                   | (10,180)  | (38,103)  |
| Trade payables                                                                  | 91,961    | (2,598)   |
| Other payables                                                                  | 11,527    | 34,708    |
| Other current liabilities                                                       | 5,534     | 1,076     |
| Net defined benefit liabilities                                                 | (2,653)   | (2,347)   |
| Cash used in operations                                                         | (48,646)  | (46,075)  |
| Income tax paid                                                                 | (618)     | (8,934)   |
| Net cash used in operating activities                                           | (49,264)  | (55,009)  |

## CASH FLOWS FROM INVESTING ACTIVITIES

|                                                          |           |           |
|----------------------------------------------------------|-----------|-----------|
| Purchase of financial assets at amortized cost           | (23,695)  | -         |
| Proceeds from sale of financial assets at amortized cost | -         | 23,618    |
| Payments for property, plant and equipment               | (236,397) | (140,726) |
| Proceeds from disposal of property, plant and equipment  | 33,631    | 5,301     |
| Increase in refundable deposits                          | (2,028)   | -         |
| Decrease in refundable deposits                          | -         | 425       |
| Decrease in other non-current assets                     | 15,464    | 8,235     |

(Continued)

# CHINA GLAZE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

|                                                                                       | 2022              | 2021              |
|---------------------------------------------------------------------------------------|-------------------|-------------------|
| Interest received                                                                     | \$ 8,276          | \$ 6,518          |
| Dividends received                                                                    | <u>1,358</u>      | <u>1,322</u>      |
| Net cash used in investing activities                                                 | <u>(203,391)</u>  | <u>(95,307)</u>   |
| CASH FLOWS FROM FINANCING ACTIVITIES                                                  |                   |                   |
| Proceeds from short-term borrowings                                                   | 78,874            | 277,958           |
| Repayments of short-term bills payable                                                | -                 | (20,000)          |
| Proceeds from long-term borrowings                                                    | 170,000           | -                 |
| Repayments of long-term borrowings                                                    | (40,000)          | (63,300)          |
| Proceeds from guarantee deposits received                                             | 3,086             | -                 |
| Refund of guarantee deposits received                                                 | -                 | (442)             |
| Repayment of the principal portion of lease liabilities                               | (4,678)           | (4,656)           |
| Dividends paid                                                                        | (41,760)          | (33,408)          |
| Interest paid                                                                         | (8,753)           | (8,199)           |
| Changes in non-controlling interests                                                  | <u>(151)</u>      | <u>(57,969)</u>   |
| Net cash generated from financing activities                                          | <u>156,618</u>    | <u>89,984</u>     |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE<br>OF CASH HELD IN FOREIGN CURRENCIES | <u>31,136</u>     | <u>16,547</u>     |
| NET DECREASE IN CASH AND CASH EQUIVALENTS                                             | (64,901)          | (43,785)          |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE<br>YEAR                             | <u>676,684</u>    | <u>720,469</u>    |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR                                      | <u>\$ 611,783</u> | <u>\$ 676,684</u> |

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

(With Deloitte & Touche auditors' report dated March 27, 2023)

(Concluded)

# CHINA GLAZE CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

China Glaze Co., Ltd. (the “Company”) was incorporated in the Republic of China (ROC) in December 1974. The Company mainly manufactures and sells various frit, glaze, pigments, advanced ceramics, crystallized glass, phosphor powder for photoelectric use and digital textile ink.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since April 1996.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 27, 2023.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

| <b>New, Amended and Revised Standards and Interpretations</b>                                           | <b>Effective Date<br/>Announced by IASB</b> |
|---------------------------------------------------------------------------------------------------------|---------------------------------------------|
| Amendments to IAS 1 “Disclosure of Accounting Policies”                                                 | January 1, 2023 (Note 1)                    |
| Amendments to IAS 8 “Definition of Accounting Estimates”                                                | January 1, 2023 (Note 2)                    |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 (Note 3)                    |

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of the abovementioned standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- c. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

| <b><u>New, Amended and Revised Standards and Interpretations</u></b>                                                     | <b><u>Effective Date<br/>Announced by IASB (Note 1)</u></b> |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined by IASB                                    |
| Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"                                                          | January 1, 2024 (Note 2)                                    |
| IFRS 17 "Insurance Contracts"                                                                                            | January 1, 2023                                             |
| Amendments to IFRS 17                                                                                                    | January 1, 2023                                             |
| Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"                              | January 1, 2023                                             |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"                                            | January 1, 2024                                             |
| Amendments to IAS 1 "Non-current Liabilities with Covenants"                                                             | January 1, 2024                                             |

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Statement of compliance

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

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

The Group is engaged in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11, Table 5 and Table 6 for the detailed information on subsidiaries, including the percentages of ownership and main businesses.

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the consolidated financial statements, the financial statements of the Company's foreign operations (including subsidiaries and associates in other countries) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

f. Inventories

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

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Investment properties

Investment properties are properties held to earn rental or for capital appreciation. Investment properties include right-of-use assets and properties under construction that meet the definition of investment properties. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

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

i. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

j. Intangible assets

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

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



- k. Impairment of property, plant and equipment, right-of-use assets, investment properties, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment properties and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property and plant and equipment related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

## l. Financial instruments

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

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

### 1) Financial assets

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

#### a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 26: Financial Instruments.

ii. Financial assets at amortized cost

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

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) as well as contract assets.

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

### Onerous contracts

Onerous contracts are those in which the Group's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions. In assessing whether a contract is onerous, the cost of fulfilling a contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that are related directly to fulfilling contracts.

#### n. Revenue recognition

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

##### 1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of various frit, glaze, pigments, advanced ceramics, crystallized glass, phosphor powder for photoelectric use and digital textile ink. Domestic sales of abovementioned goods are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Revenue and trade receivables are recognized concurrently. For export sales of the abovementioned goods, revenue and trade receivables are recognized on the bill of lading date on which the control of the goods is transferred to the customer.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

##### 2) Construction contract revenue

For construction contract, revenue is recognized over time. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the construction and are reclassified to trade receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Group recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

When the outcome of a performance obligation cannot be reasonably measured, contract revenue is recognized only to the extent of contract costs incurred in satisfying the performance obligation for which recovery is expected.

##### 3) Licensing revenue

Royalty is recognized as revenue on the basis of sales volume of goods manufactured using authorized technology in accordance with the agreement.

#### o. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

##### 1) The Group as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

## 2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Government grants

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

## 2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

## 3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis by the management. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

|                                                                             | <b>December 31</b> |                   |
|-----------------------------------------------------------------------------|--------------------|-------------------|
|                                                                             | <b>2022</b>        | <b>2021</b>       |
| Cash on hand                                                                | \$ 10,410          | \$ 11,798         |
| Checking accounts and demand deposits                                       | 507,771            | 561,962           |
| Cash equivalents (investments with original maturities of 3 months or less) |                    |                   |
| Time deposits                                                               | <u>93,602</u>      | <u>102,924</u>    |
|                                                                             | <u>\$ 611,783</u>  | <u>\$ 676,684</u> |

The market rate intervals of cash in the bank at the end of the year were as follows:

|                 | <b>December 31</b> |             |
|-----------------|--------------------|-------------|
|                 | <b>2022</b>        | <b>2021</b> |
| Demand deposits | 0.43%-1.05%        | 0.01%-0.05% |
| Time deposits   | 1.85%-3.95%        | 0.20%-0.32% |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|                                                                                | <b>December 31</b> |                  |
|--------------------------------------------------------------------------------|--------------------|------------------|
|                                                                                | <b>2022</b>        | <b>2021</b>      |
| <u>Financial assets at fair value through profit or loss (FVTPL) - current</u> |                    |                  |
| Financial assets mandatorily classified as at FVTPL                            |                    |                  |
| Non-derivative financial assets                                                |                    |                  |
| Domestic listed shares                                                         | \$ 28,443          | \$ 30,076        |
| Mutual funds                                                                   | <u>677</u>         | <u>-</u>         |
|                                                                                | <u>\$ 29,120</u>   | <u>\$ 30,076</u> |
| <u>Financial assets at FVTPL - non-current</u>                                 |                    |                  |
| Financial assets mandatorily classified as at FVTPL                            |                    |                  |
| Non-derivative financial assets                                                |                    |                  |
| Domestic unlisted shares                                                       | <u>\$ 479</u>      | <u>\$ 573</u>    |



## 8. FINANCIAL ASSETS AT AMORTIZED COST

|                                                              | December 31       |                   |
|--------------------------------------------------------------|-------------------|-------------------|
|                                                              | 2022              | 2021              |
| <u>Current</u>                                               |                   |                   |
| Time deposits with original maturities of more than 3 months | \$ 66,520         | \$ 153,111        |
| Restricted deposit                                           | <u>10,891</u>     | <u>18,791</u>     |
|                                                              | <u>\$ 77,411</u>  | <u>\$ 171,902</u> |
| <u>Non-current</u>                                           |                   |                   |
| Time deposits with original maturities of more than 3 months | \$ 204,997        | \$ 86,884         |
| Restricted deposit                                           | <u>36,413</u>     | <u>36,340</u>     |
|                                                              | <u>\$ 241,410</u> | <u>\$ 123,224</u> |

Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as security.

## 9. TRADE RECEIVABLES AND OTHER RECEIVABLES

|                                     | December 31       |                   |
|-------------------------------------|-------------------|-------------------|
|                                     | 2022              | 2021              |
| <u>Trade receivables</u>            |                   |                   |
| At amortized cost                   |                   |                   |
| Gross carrying amount               | \$ 613,664        | \$ 520,874        |
| Less: Allowance for impairment loss | <u>(50,240)</u>   | <u>(21,726)</u>   |
|                                     | <u>\$ 563,424</u> | <u>\$ 499,148</u> |
| <u>Other receivables</u>            |                   |                   |
| Tax refund receivables              | \$ 6,001          | \$ 6,003          |
| Advance receivables                 | <u>18,964</u>     | <u>8,084</u>      |
|                                     | <u>\$ 24,965</u>  | <u>\$ 14,087</u>  |

### Trade receivables

#### At amortized cost

The average credit period of sales of goods is 80-120 days. No interest is charged on trade receivables. The Group adopts a policy of only dealing with entities that are creditworthy and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In addition, the Group conducts evaluation on the basis of financial position and credit risk of the entities for the purpose of transaction amount control. The Group uses other publicly available financial information or its own trading records to rate its major customers and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The following table details the loss allowance of trade receivables:

December 31, 2022

|                                | Not Past Due      | 1 to 90 Days Past Due | 91 to 180 Days Past Due | 181 to 365 Days Past Due | 365 to 730 Days Past Due | Over 730 Days Past Due | Total             |
|--------------------------------|-------------------|-----------------------|-------------------------|--------------------------|--------------------------|------------------------|-------------------|
| Expected credit loss rate      | 0.18%             | 3.41%                 | 2.93%                   | 53.81%                   | 73.21%                   | 100%                   | -                 |
| Gross carrying amount          | \$ 356,938        | \$ 132,281            | \$ 70,426               | \$ 10,663                | \$ 22,690                | \$ 20,666              | \$ 613,664        |
| Loss allowance (Lifetime ECLs) | <u>(657)</u>      | <u>(4,505)</u>        | <u>(2,064)</u>          | <u>(5,737)</u>           | <u>(16,611)</u>          | <u>(20,666)</u>        | <u>(50,240)</u>   |
| Amortized cost                 | <u>\$ 356,281</u> | <u>\$ 127,776</u>     | <u>\$ 68,362</u>        | <u>\$ 4,926</u>          | <u>\$ 6,079</u>          | <u>\$ -</u>            | <u>\$ 563,424</u> |

December 31, 2021

|                                | Not Past Due      | 1 to 90 Days Past Due | 91 to 180 Days Past Due | 181 to 365 Days Past Due | 365 to 730 Days Past Due | Over 730 Days Past Due | Total             |
|--------------------------------|-------------------|-----------------------|-------------------------|--------------------------|--------------------------|------------------------|-------------------|
| Expected credit loss rate      | 0.10%             | 0.37%                 | 0.81%                   | 8.11%                    | 31.29%                   | 100%                   | -                 |
| Gross carrying amount          | \$ 304,074        | \$ 122,897            | \$ 55,028               | \$ 7,652                 | \$ 16,481                | \$ 14,742              | \$ 520,874        |
| Loss allowance (Lifetime ECLs) | <u>(307)</u>      | <u>(456)</u>          | <u>(444)</u>            | <u>(620)</u>             | <u>(5,157)</u>           | <u>(14,742)</u>        | <u>(21,726)</u>   |
| Amortized cost                 | <u>\$ 303,767</u> | <u>\$ 122,441</u>     | <u>\$ 54,584</u>        | <u>\$ 7,032</u>          | <u>\$ 11,324</u>         | <u>\$ -</u>            | <u>\$ 499,148</u> |

The movements of the loss allowance of trade receivables were as follows:

|                                          | <b>For the Year Ended December 31</b> |                  |
|------------------------------------------|---------------------------------------|------------------|
|                                          | <b>2022</b>                           | <b>2021</b>      |
| Balance at January 1                     | \$ 21,726                             | \$ 32,825        |
| Add: Amounts recovered                   | -                                     | 61               |
| Add: Net remeasurement of loss allowance | 29,156                                | (9,207)          |
| Less: Amounts written off                | (132)                                 | (1,675)          |
| Foreign exchange gains and losses        | <u>(510)</u>                          | <u>(278)</u>     |
| Balance at December 31                   | <u>\$ 50,240</u>                      | <u>\$ 21,726</u> |

## 10. INVENTORIES

|                            | <b>December 31</b> |                   |
|----------------------------|--------------------|-------------------|
|                            | <b>2022</b>        | <b>2021</b>       |
| Raw materials and supplies | \$ 292,867         | \$ 226,851        |
| Work in progress           | 123,518            | 108,628           |
| Finished goods             | 408,654            | 327,847           |
| Merchandise                | 7,529              | 8,710             |
| Inventory in transit       | <u>8,795</u>       | <u>16,480</u>     |
|                            | <u>\$ 841,363</u>  | <u>\$ 688,516</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$2,021,019 thousand and \$1,729,975 thousand, respectively. The cost of goods sold included reversal of inventory write-downs of \$3,772 thousand and inventory write-downs of \$36,924 thousand for the years ended December 31, 2022 and 2021, respectively. Inventory write-downs were reversed as a result of the sale of inventories with net realizable values lower than their costs.

## 11. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

| Investor    | Investee                                                | Nature of Activities            | Proportion of Ownership (%) |                        | Remark |
|-------------|---------------------------------------------------------|---------------------------------|-----------------------------|------------------------|--------|
|             |                                                         |                                 | December 31                 |                        |        |
|             |                                                         |                                 | 2022                        | 2021                   |        |
| The Company | WUAN-SUN INVESTMENT CO., LTD (“Wuan-Sun”)               | Securities investment           | -                           | 97.72                  | 1      |
|             | C.G.C. DEVELOPMENT LTD. (“C.G.C.”)                      | Overseas reinvestment           | 60.00                       | (Liquidating)<br>60.00 |        |
|             | DRAGON LUCK HOLDING LTD. (“DRAGON LUCK”)                | Overseas reinvestment           | 100.00                      | 100.00                 |        |
|             | FOUR BROTHERS HOLDING LTD. (“Four Brothers”)            | Overseas reinvestment           | 100.00                      | 100.00                 |        |
|             | Dai Hong Development Co., Ltd. (“Dai Hong”)             | General and property investment | 100.00                      | 100.00                 |        |
|             | CHINA GLAZE MALAYSIA SDN. BHD. (“China Glaze Malaysia”) | Import and export business      | 100.00                      | 100.00                 |        |
|             |                                                         |                                 |                             |                        |        |

(Continued)

| Investor      | Investee                                                   | Nature of Activities                                    | Proportion of Ownership (%) |        | Remark |
|---------------|------------------------------------------------------------|---------------------------------------------------------|-----------------------------|--------|--------|
|               |                                                            |                                                         | December 31                 |        |        |
|               |                                                            |                                                         | 2022                        | 2021   |        |
| C.G.C.        | Guangdong Sanshui T&H Glaze Co., Ltd. (“Sanshui T&H”)      | Manufacturing and selling of ceramic glaze and pigments | 100.00                      | 100.00 |        |
|               | Shanghai T&H Glaze Co., Ltd. (“Shanghai T&H”)              | Manufacturing and selling of ceramic glaze              | 100.00                      | 100.00 |        |
|               | Shandong T&H Glaze Co., Ltd. (“Shandong T&H”)              | Manufacturing and selling of ceramic glaze              | 100.00                      | 100.00 |        |
|               | Shanghai Dunhong Industrial Co., Ltd. (“Shanghai Dunhong”) | Import and export business                              | 34.09                       | 34.09  |        |
| Shanghai T&H  | Shanghai Dunhong Industrial Co., Ltd. (“Shanghai Dunhong”) | Import and export business                              | 65.91                       | 65.91  |        |
| DRAGON LUCK   | PROSPERITY ENTERPRISE INC. (“PROSPERITY”)                  | Overseas reinvestment                                   | 100.00                      | 100.00 |        |
|               | PT. CERAPATH TRADING INDONESIA (“CERAPATH”)                | Import and export business                              | 99.90                       | -      | 2      |
| PROSPERITY    | PT China Glaze Indonesia (“China Glaze Indonesia”)         | Manufacturing and selling of ceramic glaze              | 99.84                       | 99.84  |        |
| Four Brothers | WILLMAX INVESTMENT LTD. (“WILLMAX”)                        | Overseas reinvestment                                   | 100.00                      | 100.00 |        |
|               | CERATEK MATERIALS LTD. (“CERATEK”)                         | Import and export business                              | 100.00                      | 100.00 |        |
|               | TAITOP CHEMICAL LTD. (“TAITOP”)                            | Import and export business                              | 100.00                      | 100.00 |        |
| WILLMAX       | China Glaze Bangladesh Ltd (“China Glaze Bangladesh”)      | Manufacturing and selling of ceramic glaze              | 99.38                       | 99.38  |        |

(Concluded)

1) Wuan-Sun obtained approval for liquidation and dissolution in June 2020. The liquidation of Wuan-Sun was completed on March 24, 2022 after receiving the approval letter of the liquidation declaration by the court on March 11, 2022.

2) In 2022, the Group acquired 99.90% interest in CERAPATH.

b. Details of subsidiaries that have material non-controlling interests

| Name of Subsidiary | Location               | Proportion of Ownership and Voting Rights of Non-controlling Interests (%) |      |
|--------------------|------------------------|----------------------------------------------------------------------------|------|
|                    |                        | December 31                                                                |      |
|                    |                        | 2022                                                                       | 2021 |
| C.G.C.             | British Virgin Islands | 40                                                                         | 40   |

See Tables 5 and 6 for the information on the places of incorporation and principal places of business.

| Name of Subsidiary               | Profit (Loss) Allocated to Non-controlling Interests For the Year Ended December 31 |             | Accumulated Non-controlling Interests December 31 |            |
|----------------------------------|-------------------------------------------------------------------------------------|-------------|---------------------------------------------------|------------|
|                                  | 2022                                                                                | 2021        | 2022                                              | 2021       |
|                                  |                                                                                     |             |                                                   |            |
| C.G.C. and C.G.C.'s subsidiaries | \$ (30,008)                                                                         | \$ (12,593) | \$ 467,412                                        | \$ 490,272 |

C.G.C. and C.G.C.'s subsidiaries:

|                                                | <b>December 31</b>                    |                     |
|------------------------------------------------|---------------------------------------|---------------------|
|                                                | <b>2022</b>                           | <b>2021</b>         |
| Current assets                                 | \$ 629,911                            | \$ 712,708          |
| Non-current assets                             | 699,961                               | 645,624             |
| Current liabilities                            | (97,182)                              | (70,772)            |
| Non-current liabilities                        | <u>(64,160)</u>                       | <u>(61,879)</u>     |
| Equity                                         | <u>\$ 1,168,530</u>                   | <u>\$ 1,225,681</u> |
| Equity attributable to:                        |                                       |                     |
| Owners of C.G.C.                               | \$ 701,118                            | \$ 735,409          |
| Non-controlling interests of C.G.C.            | <u>467,412</u>                        | <u>490,272</u>      |
|                                                | <u>\$ 1,168,530</u>                   | <u>\$ 1,225,681</u> |
|                                                | <b>For the Year Ended December 31</b> |                     |
|                                                | <b>2022</b>                           | <b>2021</b>         |
| Revenue                                        | <u>\$ 388,602</u>                     | <u>\$ 490,424</u>   |
| Loss for the year                              | \$ (76,957)                           | \$ (31,798)         |
| Other comprehensive income (loss) for the year | <u>19,807</u>                         | <u>(13,583)</u>     |
| Total comprehensive loss for the year          | <u>\$ (57,150)</u>                    | <u>\$ (45,381)</u>  |
| Loss attributable to:                          |                                       |                     |
| Owners of C.G.C.                               | \$ (46,949)                           | \$ (19,205)         |
| Non-controlling interests of C.G.C.            | <u>(30,008)</u>                       | <u>(12,593)</u>     |
|                                                | <u>\$ (76,957)</u>                    | <u>\$ (31,798)</u>  |
| Total comprehensive loss attributable to:      |                                       |                     |
| Owners of C.G.C.                               | \$ (35,065)                           | \$ (27,355)         |
| Non-controlling interests of C.G.C.            | <u>(22,085)</u>                       | <u>(18,026)</u>     |
|                                                | <u>\$ (57,150)</u>                    | <u>\$ (45,381)</u>  |
| Cash inflow/(outflow) from:                    |                                       |                     |
| Operating activities                           | \$ (78,716)                           | \$ 47,065           |
| Investing activities                           | 19,846                                | 7,266               |
| Financing activities                           | <u>(1,871)</u>                        | <u>(150,679)</u>    |
| Net cash outflow                               | <u>\$ (60,741)</u>                    | <u>\$ (96,348)</u>  |

## 12. PROPERTY, PLANT AND EQUIPMENT

a.

|                                                  | Freehold Land       | Buildings           | Equipment         | Other equipment   | Property under Construction | Total               |
|--------------------------------------------------|---------------------|---------------------|-------------------|-------------------|-----------------------------|---------------------|
| <u>Cost</u>                                      |                     |                     |                   |                   |                             |                     |
| Balance at January 1, 2022                       | \$ 1,096,612        | \$ 1,047,617        | \$ 582,225        | \$ 309,794        | \$ 46,348                   | \$ 3,082,596        |
| Additions                                        | 9,494               | 4,780               | 29,484            | 27,795            | 164,844                     | 236,397             |
| Disposals                                        | -                   | (176,942)           | (57,971)          | (40,312)          | -                           | (275,225)           |
| Reclassification                                 | -                   | (62,712)            | 2,811             | 3,364             | (13,695)                    | (70,232)            |
| Effects of foreign currency exchange differences | 6,007               | 21,050              | 28,573            | 3,984             | 95                          | 59,709              |
| Balance at December 31, 2022                     | <u>\$ 1,112,113</u> | <u>\$ 833,793</u>   | <u>\$ 585,122</u> | <u>\$ 304,625</u> | <u>\$ 197,592</u>           | <u>\$ 3,033,245</u> |
| <u>Accumulated depreciation and impairment</u>   |                     |                     |                   |                   |                             |                     |
| Balance at January 1, 2022                       | \$ 18,862           | \$ 704,543          | \$ 482,577        | \$ 228,159        | \$ -                        | \$ 1,434,141        |
| Depreciation expenses                            | -                   | 28,866              | 24,863            | 17,394            | -                           | 71,123              |
| Disposals                                        | -                   | (172,165)           | (57,025)          | (39,015)          | -                           | (268,205)           |
| Reclassification                                 | -                   | (61,460)            | -                 | -                 | -                           | (61,460)            |
| Effects of foreign currency exchange differences | -                   | 15,172              | 27,666            | 3,239             | -                           | 46,077              |
| Balance at December 31, 2022                     | <u>\$ 18,862</u>    | <u>\$ 514,956</u>   | <u>\$ 478,081</u> | <u>\$ 209,777</u> | <u>\$ -</u>                 | <u>\$ 1,221,676</u> |
| Carrying amount at December 31, 2022             | <u>\$ 1,093,251</u> | <u>\$ 318,837</u>   | <u>\$ 107,041</u> | <u>\$ 94,848</u>  | <u>\$ 197,592</u>           | <u>\$ 1,811,569</u> |
| <u>Cost</u>                                      |                     |                     |                   |                   |                             |                     |
| Balance at January 1, 2021                       | \$ 1,100,433        | \$ 881,394          | \$ 564,863        | \$ 282,202        | \$ 155,582                  | \$ 2,984,474        |
| Additions                                        | -                   | 2,956               | 23,368            | 14,630            | 99,772                      | 140,726             |
| Disposals                                        | -                   | (4,448)             | (6,333)           | (8,792)           | -                           | (19,573)            |
| Reclassification                                 | -                   | 175,543             | 7,240             | 23,563            | (207,726)                   | (1,380)             |
| Effects of foreign currency exchange differences | (3,821)             | (7,828)             | (6,913)           | (1,809)           | (1,280)                     | (21,651)            |
| Balance at December 31, 2021                     | <u>\$ 1,096,612</u> | <u>\$ 1,047,617</u> | <u>\$ 582,225</u> | <u>\$ 309,794</u> | <u>\$ 46,348</u>            | <u>\$ 3,082,596</u> |
| <u>Accumulated depreciation and impairment</u>   |                     |                     |                   |                   |                             |                     |
| Balance at January 1, 2021                       | \$ 18,862           | \$ 681,920          | \$ 465,592        | \$ 221,832        | \$ -                        | \$ 1,388,206        |
| Depreciation expenses                            | -                   | 29,961              | 28,394            | 15,309            | -                           | 73,664              |
| Disposals                                        | -                   | (1,822)             | (5,541)           | (7,880)           | -                           | (15,243)            |
| Reclassification                                 | -                   | (162)               | 126               | 598               | -                           | 562                 |
| Effects of foreign currency exchange differences | -                   | (5,354)             | (5,994)           | (1,700)           | -                           | (13,048)            |
| Balance at December 31, 2021                     | <u>\$ 18,862</u>    | <u>\$ 704,543</u>   | <u>\$ 482,577</u> | <u>\$ 228,159</u> | <u>\$ -</u>                 | <u>\$ 1,434,141</u> |
| Carrying amount at December 31, 2021             | <u>\$ 1,077,750</u> | <u>\$ 343,074</u>   | <u>\$ 99,648</u>  | <u>\$ 81,635</u>  | <u>\$ 46,348</u>            | <u>\$ 1,648,455</u> |

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

|                   |            |
|-------------------|------------|
| Land improvements | 5-15 years |
| Buildings         | 3-60 years |
| Equipment         | 1-11 years |
| Other equipment   | 1-35 years |

The major parts of the buildings held by the Group include plants and improvements, which are depreciated over their estimated useful lives of 60 years and 10 years, respectively.

- b. The Group obtained approval for industrial park development from the Miaoli County Government on April 7, 2021 for a portion of its agricultural land with a land area of 10.954095 hectares. The ownership of the land is temporarily registered under the name of a third party, and will be transferred to the Group when the change of the nature of the land for development is completed. Measures adopted by the Group to protect its rights and interests were as follows:

| Section of an Area                     | Carrying Amount of the Land | Area of Land (m <sup>2</sup> ) | Registered Under the Name | Protective Measures                                 |
|----------------------------------------|-----------------------------|--------------------------------|---------------------------|-----------------------------------------------------|
| Tongxiao Township Beishiwo Section (1) | \$48,445 thousand           | 87,635.03                      | TSAI, HSIEN-LUNG          | Establishment of other rights of \$100,000 thousand |
| Tongxiao Township Tongwan Section (2)  | \$63,139 thousand           | 1,968.99                       | TSAI, HSIEN-LUNG          | Establishment of other rights of \$16,000 thousand  |

- 1) A portion of the land is used for emergency disaster prevention purposes, and the remaining portion of the land is used by the Group for operational purposes.
  - 2) The land was acquired by the Group for operational purposes.
- c. Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 28.

### 13. LEASE ARRANGEMENTS

a. Right-of-use assets

|                                                                              | <b>December 31</b>                    |                   |
|------------------------------------------------------------------------------|---------------------------------------|-------------------|
|                                                                              | <b>2022</b>                           | <b>2021</b>       |
| <u>Carrying amount</u>                                                       |                                       |                   |
| Land                                                                         | \$ 145,901                            | \$ 148,526        |
| Buildings                                                                    | 3,987                                 | 324               |
| Transportation equipment                                                     | <u>4,312</u>                          | <u>5,358</u>      |
|                                                                              | <u>\$ 154,200</u>                     | <u>\$ 154,208</u> |
|                                                                              | <b>For the Year Ended December 31</b> |                   |
|                                                                              | <b>2022</b>                           | <b>2021</b>       |
| Additions to right-of-use assets                                             | <u>\$ 6,837</u>                       | <u>\$ 7,171</u>   |
| Depreciation charge for right-of-use assets                                  |                                       |                   |
| Land                                                                         | \$ 4,904                              | \$ 5,192          |
| Buildings                                                                    | 1,017                                 | 1,021             |
| Transportation equipment                                                     | <u>2,836</u>                          | <u>1,304</u>      |
|                                                                              | <u>\$ 8,757</u>                       | <u>\$ 7,517</u>   |
| Income from the subleasing of right-of-use assets (presented in other gains) | <u>\$ 17,515</u>                      | <u>\$ 20,356</u>  |

b. Lease liabilities

|                         | <b>December 31</b> |                  |
|-------------------------|--------------------|------------------|
|                         | <b>2022</b>        | <b>2021</b>      |
| <u>Carrying amounts</u> |                    |                  |
| Current                 | <u>\$ 5,868</u>    | <u>\$ 4,104</u>  |
| Non-current             | <u>\$ 64,736</u>   | <u>\$ 63,382</u> |

Range of discount rate for lease liabilities was as follows:

|                          | <b>December 31</b> |             |
|--------------------------|--------------------|-------------|
|                          | <b>2022</b>        | <b>2021</b> |
| Land                     | 0.84%-5.66%        | 0.84%-5.66% |
| Buildings                | 0.84%-1.00%        | 0.84%       |
| Transportation equipment | 4.25%-5.77%        | 4.75%-5.77% |

c. Material leasing activities and terms

The Group leases certain transportation equipment with lease terms of 1 to 3 years. The Group has options to purchase the equipment for a nominal amount at the end of the lease terms.

The Group also leases land and buildings for the use of plants and offices with lease terms of 1 to 50 years. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Subleases

The Group subleases its right-of-use assets for land and buildings under operating leases with lease terms of 12 years. The maturity analysis of lease payments receivable under operating subleases was as follows:

|                | <b>December 31</b> |                   |
|----------------|--------------------|-------------------|
|                | <b>2022</b>        | <b>2021</b>       |
| Year 1         | \$ 22,595          | \$ 21,460         |
| Year 2         | 22,867             | 22,265            |
| Year 3         | 22,867             | 22,533            |
| Year 4         | 23,725             | 22,533            |
| Year 5 onwards | 24,010             | 23,378            |
|                | <u>105,646</u>     | <u>127,764</u>    |
|                | <u>\$ 221,710</u>  | <u>\$ 239,933</u> |

e. Other lease information

|                                        | <b>For the Year Ended December 31</b> |                    |
|----------------------------------------|---------------------------------------|--------------------|
|                                        | <b>2022</b>                           | <b>2021</b>        |
| Expenses relating to short-term leases | <u>\$ 3,727</u>                       | <u>\$ 3,880</u>    |
| Total cash outflow for leases          | <u>\$ (10,532)</u>                    | <u>\$ (12,085)</u> |



## 14. INVESTMENT PROPERTIES

### Completed Investment Properties

#### Cost

|                                            |                   |
|--------------------------------------------|-------------------|
| Balance at January 1 and December 31, 2021 | <u>\$ 154,543</u> |
|--------------------------------------------|-------------------|

#### Accumulated depreciation

|                            |              |
|----------------------------|--------------|
| Balance at January 1, 2021 | \$ 44,982    |
| Depreciation expenses      | <u>1,936</u> |

|                              |                  |
|------------------------------|------------------|
| Balance at December 31, 2021 | <u>\$ 46,918</u> |
|------------------------------|------------------|

|                                      |                   |
|--------------------------------------|-------------------|
| Carrying amount at December 31, 2021 | <u>\$ 107,625</u> |
|--------------------------------------|-------------------|

#### Cost

|                                                  |            |
|--------------------------------------------------|------------|
| Balance at January 1, 2022                       | \$ 154,543 |
| Transfers from property, plant and equipment     | 70,087     |
| Effects of foreign currency exchange differences | <u>56</u>  |

|                              |                   |
|------------------------------|-------------------|
| Balance at December 31, 2022 | <u>\$ 224,686</u> |
|------------------------------|-------------------|

#### Accumulated depreciation

|                                                  |            |
|--------------------------------------------------|------------|
| Balance at January 1, 2022                       | \$ 46,918  |
| Transfers from property, plant and equipment     | 61,460     |
| Depreciation expenses                            | 3,196      |
| Effects of foreign currency exchange differences | <u>239</u> |

|                              |                   |
|------------------------------|-------------------|
| Balance at December 31, 2022 | <u>\$ 111,813</u> |
|------------------------------|-------------------|

|                                      |                   |
|--------------------------------------|-------------------|
| Carrying amount at December 31, 2022 | <u>\$ 112,873</u> |
|--------------------------------------|-------------------|

Investment properties are depreciated using the straight-line method over their estimated useful lives of 5 to 50 years.

For investment properties not valued by any independent valuer, the management of the Group considers the present lease agreement and used the valuation model that market participants would use in determining the fair value, and the fair value was measured using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value as appraised was as follows:

|            | <u>December 31</u> |                   |
|------------|--------------------|-------------------|
|            | <u>2022</u>        | <u>2021</u>       |
| Fair value | <u>\$ 293,295</u>  | <u>\$ 306,407</u> |

The Group owns freehold interest in all of its investment properties. The investment properties pledged as collateral for bank borrowings are set out in Note 28.

## 15. OTHER ASSETS

|                           | <b>December 31</b> |                   |
|---------------------------|--------------------|-------------------|
|                           | <b>2022</b>        | <b>2021</b>       |
| <u>Current</u>            |                    |                   |
| Prepayments               | \$ 55,967          | \$ 89,066         |
| Other prepayments         | 14,023             | 10,968            |
| Others                    | <u>28,029</u>      | <u>22,559</u>     |
|                           | <u>\$ 98,019</u>   | <u>\$ 122,593</u> |
| <u>Non-current</u>        |                    |                   |
| Prepayments for equipment | \$ 13,994          | \$ 26,151         |
| Other prepayments         | 4,437              | 7,744             |
| Refundable deposits       | <u>6,522</u>       | <u>4,431</u>      |
|                           | <u>\$ 24,953</u>   | <u>\$ 38,326</u>  |

## 16. BORROWINGS

### a. Short-term borrowings

|                             | <b>December 31</b> |                   |
|-----------------------------|--------------------|-------------------|
|                             | <b>2022</b>        | <b>2021</b>       |
| <u>Secured borrowings</u>   |                    |                   |
| Bank loans                  | \$ 187,224         | \$ 138,350        |
| <u>Unsecured borrowings</u> |                    |                   |
| Bank loans                  | <u>340,000</u>     | <u>310,000</u>    |
|                             | <u>\$ 527,224</u>  | <u>\$ 448,350</u> |

The range of weighted average effective interest rates on bank loans was 1.37%-6.20% and 0.56%-1.31% as of December 31, 2022 and 2021, respectively.

Certain terms of the Group's short-term loan arrangement with Taishin International Bank are as follows:

- 1) The Company shall hold no less than 90% of the issued share capital of China Glaze Indonesia over the duration of the loan.
- 2) China Glaze Indonesia was given a US\$7,000 thousand line of credit; however, the corporate line of credit used by China Glaze Indonesia and the Company shall be no more than \$270,000 thousand.

Assets pledged as collateral or for security by the Group for the abovementioned bank borrowings are set out in Note 28.

b. Short-term bills payable

|                                              | <b>December 31</b> |                  |
|----------------------------------------------|--------------------|------------------|
|                                              | <b>2022</b>        | <b>2021</b>      |
| <u>Promissory Institution</u>                |                    |                  |
| Mega Bills Finance Co., Ltd.                 | \$ 50,000          | \$ 50,000        |
| Taiwan Finance Co., Ltd.                     | <u>50,000</u>      | <u>50,000</u>    |
|                                              | 100,000            | 100,000          |
| Less: Unamortized discounts on bills payable | <u>(67)</u>        | <u>(30)</u>      |
|                                              | <u>\$ 99,933</u>   | <u>\$ 99,970</u> |
| Interest rate                                | 1.65%-1.80%        | 0.61%-0.73%      |

c. Long-term borrowings

| Banks                     | Maturity Date         | Repayment Terms                                                                                                                   | December 31     |                 |
|---------------------------|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
|                           |                       |                                                                                                                                   | 2022            | 2021            |
| <u>Secured borrowings</u> |                       |                                                                                                                                   |                 |                 |
| Mega Bank                 | 2020.05.26-2023.05.26 | The principal is repayable every 3 months in 12 installments of \$5,000 thousand per period starting from May 26, 2020.           | \$ 10,000       | \$ 30,000       |
|                           | 2020.10.15-2023.10.15 | The principal is repayable every 3 months in 12 installments of \$5,000 thousand per period starting from October 15, 2020.       | 20,000          | 40,000          |
|                           | 2022.10.03-2025.10.03 | The principal is repayable every 3 months in 12 installments of \$4,167 thousand per period starting from October 3, 2022.        | 50,000          | -               |
|                           | 2022.10.26-2025.10.26 | The principal is repayable every 3 months in 12 installments of \$5,000 thousand per period starting from October 26, 2022.       | 60,000          | -               |
| Taiwan Cooperative Bank   | 2022.11.25-2027.11.25 | The principal will be repayable every 3 months in 16 installments of \$3,750 thousand per period starting from February 25, 2024. | 60,000          | -               |
| Less: Current portion     |                       |                                                                                                                                   | <u>(66,667)</u> | <u>(40,000)</u> |
| Long-term borrowings      |                       |                                                                                                                                   | \$ 133,333      | \$ 30,000       |

Future maturity periods of the long-term borrowings are as follows:

|                   | <b>December 31</b> |                  |
|-------------------|--------------------|------------------|
|                   | <b>2022</b>        | <b>2021</b>      |
| Due within 1 year | \$ 66,667          | \$ 40,000        |
| 1 to 2 years      | 51,667             | 30,000           |
| 2 to 5 years      | <u>81,666</u>      | <u>-</u>         |
|                   | <u>\$ 200,000</u>  | <u>\$ 70,000</u> |

As of December 31, 2022 and 2021, the range of weighted average effective interest rates of the long-term bank borrowings was 1.58%-1.80% and 0.95%, respectively. Assets pledged as collateral or for security by the Group for the abovementioned bank borrowings are set out in Note 28.

## 17. NOTES PAYABLE AND TRADE PAYABLES

|                       | December 31 |            |
|-----------------------|-------------|------------|
|                       | 2022        | 2021       |
| <u>Notes payable</u>  |             |            |
| Operating             | \$ 2,458    | \$ 12,638  |
| <u>Trade payables</u> |             |            |
| Operating             | \$ 218,293  | \$ 126,332 |

The average credit period was 4 months. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Retentions payable on construction contracts are included in trade payables, are not bearing interest, and are expected to be paid at the end of the warranty periods. As of December 31, 2022 and 2021, retentions payable amounted to \$1,933 thousand and \$813 thousand, respectively. The warranty periods are within the normal operating cycle of the Group, usually more than 12 months.

## 18. OTHER LIABILITIES

|                                                                                   | December 31       |                   |
|-----------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                   | 2022              | 2021              |
| <u>Current</u>                                                                    |                   |                   |
| Other payables                                                                    |                   |                   |
| Payables for salaries and bonuses                                                 | \$ 40,680         | \$ 36,802         |
| Payables for purchases of equipment                                               | 13,296            | 4,925             |
| Payables for employees' compensation and directors' and supervisors' remuneration | 5,835             | 4,154             |
| Payables for freight and fuel                                                     | 4,823             | 6,164             |
| Payables for tax                                                                  | 1,634             | 1,561             |
| Payables for commissions                                                          | 626               | 769               |
| Others                                                                            | <u>62,280</u>     | <u>60,823</u>     |
|                                                                                   | <u>\$ 129,174</u> | <u>\$ 115,198</u> |
| Other liabilities                                                                 |                   |                   |
| Refund liabilities (a)                                                            | \$ 12,642         | \$ 7,131          |
| Onerous construction contracts (b)                                                | -                 | 674               |
| Others                                                                            | <u>2,361</u>      | <u>1,664</u>      |
|                                                                                   | <u>\$ 15,003</u>  | <u>\$ 9,469</u>   |

- a. The provision for sales allowances was estimated based on historical experience, management's judgments and any other known factors that may affect the allowances. The provision was recognized as a reduction of revenue in the period in which the related products were sold.

- b. The provision for onerous contracts comes from non-cancellable onerous construction contracts, and the provision amounts are measured using the difference of the unavoidable costs of meeting the contractual obligations less the economic benefits expected to be received from the contracts. This estimate may vary as a result of the input status of the construction.

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Company and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

C.G.C., DRAGON LUCK, PROSPERITY, CERAPATH, Four Brothers, WILLMAX, China Glaze Bangladesh, CERATEK, TAITOP, and China Glaze Malaysia did not adopt a pension plan. The employees of the Group's subsidiary in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

### b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 3% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

|                                             | <b>December 31</b> |                  |
|---------------------------------------------|--------------------|------------------|
|                                             | <b>2022</b>        | <b>2021</b>      |
| Present value of defined benefit obligation | \$ 147,367         | \$ 145,989       |
| Fair value of plan assets                   | <u>(132,806)</u>   | <u>(120,610)</u> |
| Net defined benefit liabilities             | <u>\$ 14,561</u>   | <u>\$ 25,379</u> |

Movements in net defined benefit liabilities were as follows:

|                                                                       | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities<br/>(Assets)</b> |
|-----------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------|
| Balance at January 1, 2021                                            | <u>\$ 149,801</u>                                                  | <u>\$ (122,661)</u>                      | <u>\$ 27,140</u>                                            |
| Service cost                                                          |                                                                    |                                          |                                                             |
| Current service cost                                                  | 910                                                                | -                                        | 910                                                         |
| Net interest expense (income)                                         | <u>1,123</u>                                                       | <u>(933)</u>                             | <u>190</u>                                                  |
| Recognized in profit or loss                                          | <u>2,033</u>                                                       | <u>(933)</u>                             | <u>1,100</u>                                                |
| Remeasurement                                                         |                                                                    |                                          |                                                             |
| Return on plan assets (excluding amounts<br>included in net interest) | -                                                                  | (1,231)                                  | (1,231)                                                     |
| Actuarial (gain) loss                                                 |                                                                    |                                          |                                                             |
| Changes in financial assumptions                                      | 1,680                                                              | -                                        | 1,680                                                       |
| Experience adjustments                                                | <u>340</u>                                                         | <u>-</u>                                 | <u>340</u>                                                  |
| Recognized in other comprehensive income                              | <u>2,020</u>                                                       | <u>(1,231)</u>                           | <u>789</u>                                                  |
| Contributions from the employer                                       | <u>-</u>                                                           | <u>(3,650)</u>                           | <u>(3,650)</u>                                              |
| Benefits paid                                                         | <u>(7,865)</u>                                                     | <u>7,865</u>                             | <u>-</u>                                                    |
| Balance at December 31, 2021                                          | <u>145,989</u>                                                     | <u>(120,610)</u>                         | <u>25,379</u>                                               |
| Service cost                                                          |                                                                    |                                          |                                                             |
| Current service cost                                                  | 725                                                                | -                                        | 725                                                         |
| Net interest expense (income)                                         | <u>730</u>                                                         | <u>(612)</u>                             | <u>118</u>                                                  |
| Recognized in profit or loss                                          | <u>1,455</u>                                                       | <u>(612)</u>                             | <u>843</u>                                                  |
| Remeasurement                                                         |                                                                    |                                          |                                                             |
| Return on plan assets (excluding amounts<br>included in net interest) | -                                                                  | (9,686)                                  | (9,686)                                                     |
| Actuarial (gain) loss                                                 |                                                                    |                                          |                                                             |
| Changes in financial assumptions                                      | (1,452)                                                            | -                                        | (1,452)                                                     |
| Experience adjustments                                                | <u>3,322</u>                                                       | <u>-</u>                                 | <u>3,322</u>                                                |
| Recognized in other comprehensive income                              | <u>1,870</u>                                                       | <u>(9,686)</u>                           | <u>(7,816)</u>                                              |
| Contributions from the employer                                       | <u>-</u>                                                           | <u>(5,709)</u>                           | <u>(5,709)</u>                                              |
| Benefits paid                                                         | <u>(3,811)</u>                                                     | <u>3,811</u>                             | <u>-</u>                                                    |
| Transfer of employees                                                 | <u>1,864</u>                                                       | <u>-</u>                                 | <u>1,864</u>                                                |
| Balance at December 31, 2021                                          | <u>\$ 147,367</u>                                                  | <u>\$ (132,806)</u>                      | <u>\$ 14,561</u>                                            |

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

|                                     | <b>For the Year Ended December 31</b> |                 |
|-------------------------------------|---------------------------------------|-----------------|
|                                     | <b>2022</b>                           | <b>2021</b>     |
| Operating costs                     | \$ 288                                | \$ 385          |
| Selling and marketing expenses      | 188                                   | 236             |
| General and administrative expenses | 319                                   | 420             |
| Research and development expenses   | <u>48</u>                             | <u>59</u>       |
|                                     | <u>\$ 843</u>                         | <u>\$ 1,100</u> |

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

|                                              | <b>December 31</b> |             |
|----------------------------------------------|--------------------|-------------|
|                                              | <b>2022</b>        | <b>2021</b> |
| Discount rate(s)                             | 1.25%              | 0.50%       |
| Expected rate(s) of salary increase/decrease | 2.50%              | 2.00%       |

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

|                                     | <b>December 31</b> |                   |
|-------------------------------------|--------------------|-------------------|
|                                     | <b>2022</b>        | <b>2021</b>       |
| Discount rate(s)                    |                    |                   |
| 0.25% increase                      | <u>\$ (1,363)</u>  | <u>\$ (1,680)</u> |
| 0.25% decrease                      | <u>\$ 1,401</u>    | <u>\$ 1,730</u>   |
| Expected rate(s) of salary increase |                    |                   |
| 1% increase                         | <u>\$ 6,016</u>    | <u>\$ 7,378</u>   |
| 1% decrease                         | <u>\$ (5,503)</u>  | <u>\$ (6,691)</u> |

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

|                                                       | <b>December 31</b> |                 |
|-------------------------------------------------------|--------------------|-----------------|
|                                                       | <b>2022</b>        | <b>2021</b>     |
| Expected contributions to the plans for the next year | <u>\$ 5,709</u>    | <u>\$ 3,650</u> |
| Average duration of the defined benefit obligation    | 6.3 years          | 7.2 years       |

As of December 31, 2022 and 2021, the amounts of the net defined benefit liabilities for China Glaze Indonesia were \$1,141 thousand and \$987 thousand, respectively. The pension costs were \$335 thousand and \$248 thousand for the years ended December 31, 2022 and 2021, respectively, and the remeasurements of defined benefit plans (after-tax) were \$(153) thousand and \$(248) thousand for the years ended December 31, 2022 and 2021, respectively.

## 20. EQUITY

### a. Share capital

#### Ordinary shares

|                                                       | <b>December 31</b>  |                     |
|-------------------------------------------------------|---------------------|---------------------|
|                                                       | <b>2022</b>         | <b>2021</b>         |
| Shares authorized (in thousands of shares)            | <u>230,000</u>      | <u>230,000</u>      |
| Shares authorized                                     | <u>\$ 2,300,000</u> | <u>\$ 2,300,000</u> |
| Shares issued and fully paid (in thousands of shares) | <u>167,042</u>      | <u>167,042</u>      |
| Shares issued and fully paid                          | <u>\$ 1,670,419</u> | <u>\$ 1,670,419</u> |

### b. Capital surplus

|                                                                                                                                                     | <b>December 31</b> |                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|
|                                                                                                                                                     | <b>2022</b>        | <b>2021</b>       |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*                                                    |                    |                   |
| Issuance of ordinary shares                                                                                                                         | \$ 114,572         | \$ 114,572        |
| Expired employee share options                                                                                                                      | 10,578             | 10,578            |
| Difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition | 2,091              | 2,091             |
| Donations                                                                                                                                           | <u>740</u>         | <u>740</u>        |
|                                                                                                                                                     | <u>\$ 127,981</u>  | <u>\$ 127,981</u> |

\* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

### c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 22 Net Profit (h).

In addition, the Company's policy on the distribution of dividends, in line with the current and future growth plan of Company and considering the investment environment, capital requirements and benefits of stakeholders, stipulates that cash dividends shall be at least 10% of the total dividends distributed. The actual percentage of cash dividends distributed will be approved in the shareholders' meetings based on the Company's actual profit for the year and its operating condition.



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

The shareholders of the Company held their regular meeting on June 21, 2022 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that when a special reserve is appropriated for cumulative net debit balance reserves from the prior period, the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient. Before the Articles were amended, the special reserve was appropriated from the prior unappropriated earnings.

The appropriations of earnings for 2021 and 2020, which were approved in the shareholders' meetings on June 21, 2022 and July 22, 2021, respectively, were as follows:

|                                 | <b>Appropriation of Earnings</b> |             |
|---------------------------------|----------------------------------|-------------|
|                                 | <b>For the Year Ended</b>        |             |
|                                 | <b>December 31</b>               |             |
|                                 | <b>2021</b>                      | <b>2020</b> |
| Legal reserve                   | \$ 4,166                         | \$ -        |
| Special reserve                 | \$ 164,991                       | \$ -        |
| Cash dividends                  | \$ 41,760                        | \$ 33,408   |
| Cash dividends per share (NT\$) | \$ 0.25                          | \$ 0.20     |

The appropriations of earnings for 2022, which were proposed by the Company's board of directors on March 27, 2023, were as follows:

|                                 | <b>For the Year</b> |
|---------------------------------|---------------------|
|                                 | <b>Ended</b>        |
|                                 | <b>December 31,</b> |
|                                 | <b>2022</b>         |
| Legal reserve                   | \$ 6,919            |
| Special reserve                 | \$ (36,805)         |
| Cash dividends                  | \$ 41,760           |
| Cash dividends per share (NT\$) | \$ 0.25             |

The appropriations of earnings for 2022 will be resolved by the shareholders in their meeting to be held on June 19, 2023.

d. Special reserve

|                              | <b>For the Year Ended December 31</b> |                  |
|------------------------------|---------------------------------------|------------------|
|                              | <b>2022</b>                           | <b>2021</b>      |
| Appropriations in respect of |                                       |                  |
| Debits to other equity items | \$ 164,991                            | \$ -             |
| First-time adoption of IFRSs | 99,759                                | 99,759           |
|                              | <u>\$ 264,750</u>                     | <u>\$ 99,759</u> |

## 21. REVENUE

### a. Revenue from contracts with customers

|                                | <b>For the Year Ended December 31</b> |                     |
|--------------------------------|---------------------------------------|---------------------|
|                                | <b>2022</b>                           | <b>2021</b>         |
| Revenue from the sale of goods | \$ 2,546,193                          | \$ 2,171,539        |
| Construction contract revenue  | 43,247                                | 27,258              |
| Other revenue                  | <u>2,591</u>                          | <u>-</u>            |
|                                | <u>\$ 2,592,031</u>                   | <u>\$ 2,198,797</u> |

### b. Contract balances

|                                                   | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> | <b>January 1,<br/>2021</b> |
|---------------------------------------------------|------------------------------|------------------------------|----------------------------|
| Note receivable and trade receivables<br>(Note 9) | <u>\$ 695,603</u>            | <u>\$ 569,967</u>            | <u>\$ 577,938</u>          |
| Contract assets - current                         |                              |                              |                            |
| Retainage in construction                         | \$ 5,600                     | \$ 1,358                     | \$ 2,722                   |
| Construction contracts                            | <u>5,740</u>                 | <u>4,349</u>                 | <u>789</u>                 |
|                                                   | <u>\$ 11,340</u>             | <u>\$ 5,707</u>              | <u>\$ 3,511</u>            |
| Contract liabilities - current                    |                              |                              |                            |
| Sale of goods                                     | \$ 10,523                    | \$ 10,394                    | \$ 13,411                  |
| Construction contracts                            | <u>3,282</u>                 | <u>1,277</u>                 | <u>2,521</u>               |
|                                                   | <u>\$ 13,805</u>             | <u>\$ 11,671</u>             | <u>\$ 15,932</u>           |

## 22. NET PROFIT

### a. Other operating income and expenses

|                                                  | <b>For the Year Ended December 31</b> |                  |
|--------------------------------------------------|---------------------------------------|------------------|
|                                                  | <b>2022</b>                           | <b>2021</b>      |
| Operating income and expenses related to leasing | <u>\$ 26,401</u>                      | <u>\$ 26,903</u> |

### b. Interest income

|               | <b>For the Year Ended December 31</b> |                 |
|---------------|---------------------------------------|-----------------|
|               | <b>2022</b>                           | <b>2021</b>     |
| Bank deposits | \$ 9,575                              | \$ 8,882        |
| Others        | <u>8</u>                              | <u>6</u>        |
|               | <u>\$ 9,583</u>                       | <u>\$ 8,888</u> |

c. Other income

|                                          | <b>For the Year Ended December 31</b> |                  |
|------------------------------------------|---------------------------------------|------------------|
|                                          | <b>2022</b>                           | <b>2021</b>      |
| Subsidy income                           | \$ 3,415                              | \$ 7,212         |
| Dividends                                |                                       |                  |
| Financial assets at FVTPL                | 1,358                                 | 1,322            |
| Gain arising from solar power generation | 1,876                                 | 2,173            |
| Gain on disposal of scrap items          | 1,498                                 | 1,541            |
| Others                                   | <u>3,065</u>                          | <u>10,976</u>    |
|                                          | <u>\$ 11,212</u>                      | <u>\$ 23,224</u> |

d. Other gains and losses

|                                                   | <b>For the Year Ended December 31</b> |                  |
|---------------------------------------------------|---------------------------------------|------------------|
|                                                   | <b>2022</b>                           | <b>2021</b>      |
| Net foreign exchange gains/(losses)               | \$ 24,127                             | \$ (6,888)       |
| Gain arising from lease modifications             | -                                     | 32,938           |
| Gain on disposal of property, plant and equipment | 26,611                                | 971              |
| Others                                            | <u>(11,777)</u>                       | <u>(1,316)</u>   |
|                                                   | <u>\$ 38,961</u>                      | <u>\$ 25,705</u> |

e. Finance costs

|                                                         | <b>For the Year Ended December 31</b> |                 |
|---------------------------------------------------------|---------------------------------------|-----------------|
|                                                         | <b>2022</b>                           | <b>2021</b>     |
| Interest on loans                                       | \$ 10,439                             | \$ 4,687        |
| Interest on lease liabilities                           | 2,127                                 | 3,549           |
| Other interest expenses                                 | 23                                    | 23              |
| Less: Amounts included in the cost of qualifying assets | <u>(1,424)</u>                        | <u>(130)</u>    |
|                                                         | <u>\$ 11,165</u>                      | <u>\$ 8,129</u> |

Information on capitalized interest is as follows:

|                             | <b>For the Year Ended December 31</b> |             |
|-----------------------------|---------------------------------------|-------------|
|                             | <b>2022</b>                           | <b>2021</b> |
| Capitalized interest amount | \$ 1,424                              | \$ 130      |
| Capitalization rate         | 0.84%-1.68%                           | 0.84%       |

f. Depreciation

|                                         | <b>For the Year Ended December 31</b> |                  |
|-----------------------------------------|---------------------------------------|------------------|
|                                         | <b>2022</b>                           | <b>2021</b>      |
| An analysis of depreciation by function |                                       |                  |
| Operating costs                         | \$ 46,349                             | \$ 51,056        |
| Operating expenses                      | 30,182                                | 25,190           |
| Other income                            | 5,285                                 | 5,611            |
| Other gains and losses                  | <u>1,260</u>                          | <u>1,260</u>     |
|                                         | <u>\$ 83,076</u>                      | <u>\$ 83,117</u> |

The depreciation expenses of investment properties, presented in other operating income and expenses, were \$3,196 thousand and \$1,936 thousand for the years ended December 31, 2022 and 2021, respectively.

g. Employee benefits expense

|                                                      | <b>For the Year Ended December 31</b> |                   |
|------------------------------------------------------|---------------------------------------|-------------------|
|                                                      | <b>2022</b>                           | <b>2021</b>       |
| Post-employment benefits (Note 19)                   |                                       |                   |
| Defined contribution plan                            | \$ 13,692                             | \$ 12,564         |
| Defined benefit plans                                | <u>1,178</u>                          | <u>1,348</u>      |
|                                                      | 14,870                                | 13,912            |
| Termination benefits                                 | 1,287                                 | 2,012             |
| Other employee benefits                              | <u>316,277</u>                        | <u>295,806</u>    |
| Total employee benefits expense                      | <u>\$ 332,434</u>                     | <u>\$ 311,730</u> |
| An analysis of employee benefits expense by function |                                       |                   |
| Operating costs                                      | \$ 111,635                            | \$ 104,198        |
| Operating expenses                                   | <u>220,799</u>                        | <u>207,532</u>    |
|                                                      | <u>\$ 332,434</u>                     | <u>\$ 311,730</u> |

h. Compensation of employees and remuneration of directors and supervisors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors and supervisors at rates of no less than 3% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on March 27, 2023 and March 29, 2022, respectively, are as follows:

Accrual rate

|                                           | <b>For the Year Ended December 31</b> |             |
|-------------------------------------------|---------------------------------------|-------------|
|                                           | <b>2022</b>                           | <b>2021</b> |
| Compensation of employees                 | 5%                                    | 5%          |
| Remuneration of directors and supervisors | 3%                                    | 3%          |

Amount

|                                           | <b>For the Year Ended December 31</b> |             |
|-------------------------------------------|---------------------------------------|-------------|
|                                           | <b>2022</b>                           | <b>2021</b> |
|                                           | <b>Cash</b>                           | <b>Cash</b> |
| Compensation of employees                 | \$ 3,647                              | \$ 2,596    |
| Remuneration of directors and supervisors | \$ 2,188                              | \$ 1,558    |

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

No compensation of employees and remuneration of directors and supervisors were estimated as the Company reported a net loss for the year ended December 31, 2020. There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2021.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors for 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

i. Gains or losses on foreign currency exchange

|                         | <b>For the Year Ended December 31</b> |             |
|-------------------------|---------------------------------------|-------------|
|                         | <b>2022</b>                           | <b>2021</b> |
| Foreign exchange gains  | \$ 55,120                             | \$ 9,152    |
| Foreign exchange losses | (31,083)                              | (16,040)    |
|                         | \$ 24,127                             | \$ (6,888)  |

## 23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

|                                                 | <b>For the Year Ended December 31</b> |             |
|-------------------------------------------------|---------------------------------------|-------------|
|                                                 | <b>2022</b>                           | <b>2021</b> |
| Current tax                                     |                                       |             |
| In respect of the current year                  | \$ 20,873                             | \$ 12,016   |
| Adjustments for prior year                      | (1,791)                               | (110)       |
| Deferred tax                                    |                                       |             |
| In respect of the current year                  | (11,965)                              | (5,316)     |
| Adjustments for prior year                      | (1,307)                               | -           |
| Income tax expense recognized in profit or loss | \$ 5,810                              | \$ 6,590    |

A reconciliation of accounting profit and income tax expense is as follows:

|                                                      | <b>For the Year Ended December 31</b> |                  |
|------------------------------------------------------|---------------------------------------|------------------|
|                                                      | <b>2022</b>                           | <b>2021</b>      |
| Profit before tax from continuing operations         | <u>\$ 37,769</u>                      | <u>\$ 35,917</u> |
| Income tax expense calculated at the statutory rate  | \$ (886)                              | \$ 8,511         |
| Nondeductible expenses in determining taxable income | 1,188                                 | 1,970            |
| Tax-exempt income                                    | (4,047)                               | (484)            |
| Unrecognized deductible temporary differences        | 4,979                                 | (793)            |
| Unrecognized loss carryforwards                      | 9,895                                 | 1,299            |
| Unrecognized investment credits                      | (3,044)                               | (3,576)          |
| Adjustments for prior years' tax                     | (3,098)                               | (110)            |
| Others                                               | <u>823</u>                            | <u>(227)</u>     |
| Income tax expense recognized in profit or loss      | <u>\$ 5,810</u>                       | <u>\$ 6,590</u>  |

b. Income tax recognized in other comprehensive income

|                                                           | <b>For the Year Ended December 31</b> |                 |
|-----------------------------------------------------------|---------------------------------------|-----------------|
|                                                           | <b>2022</b>                           | <b>2021</b>     |
| <u>Deferred tax</u>                                       |                                       |                 |
| In respect of the current year                            |                                       |                 |
| Remeasurement of defined benefit plans                    | <u>\$ 1,605</u>                       | <u>\$ (103)</u> |
| Total income tax recognized in other comprehensive income | <u>\$ 1,605</u>                       | <u>\$ (103)</u> |

c. Current tax assets and liabilities

|                         | <b>December 31</b> |                  |
|-------------------------|--------------------|------------------|
|                         | <b>2022</b>        | <b>2021</b>      |
| Current tax assets      |                    |                  |
| Tax refund receivable   | <u>\$ 207</u>      | <u>\$ 10,520</u> |
| Current tax liabilities |                    |                  |
| Income tax payable      | <u>\$ 14,236</u>   | <u>\$ 6,915</u>  |

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

| <b>Deferred Tax Assets</b>  | <b>Opening Balance</b> | <b>Recognized in Profit or Loss</b> | <b>Recognized in Other Comprehensive Income</b> | <b>Exchange Differences</b> | <b>Closing Balance</b> |
|-----------------------------|------------------------|-------------------------------------|-------------------------------------------------|-----------------------------|------------------------|
| Temporary differences       |                        |                                     |                                                 |                             |                        |
| Defined benefit obligations | \$ 4,270               | \$ (549)                            | \$ (1,605)                                      | \$ 24                       | \$ 2,140               |
| Others                      | <u>22,016</u>          | <u>6,262</u>                        | <u>-</u>                                        | <u>385</u>                  | <u>28,663</u>          |
|                             | <u>\$ 26,286</u>       | <u>\$ 5,713</u>                     | <u>\$ (1,605)</u>                               | <u>\$ 409</u>               | <u>\$ 30,803</u>       |

| <b>Deferred Tax Liabilities</b>                                      | <b>Opening Balance</b> | <b>Recognized in Profit or Loss</b> | <b>Recognized in Other Comprehensive Income</b> | <b>Exchange Differences</b> | <b>Closing Balance</b> |
|----------------------------------------------------------------------|------------------------|-------------------------------------|-------------------------------------------------|-----------------------------|------------------------|
| Temporary differences                                                |                        |                                     |                                                 |                             |                        |
| Share of profit of investments accounted for using the equity method | \$ 7,464               | \$ (7,464)                          | \$ -                                            | \$ -                        | \$ -                   |
| Others                                                               | <u>95</u>              | <u>(95)</u>                         | <u>-</u>                                        | <u>-</u>                    | <u>-</u>               |
|                                                                      | <u>\$ 7,559</u>        | <u>\$ (7,559)</u>                   | <u>\$ -</u>                                     | <u>\$ -</u>                 | <u>\$ -</u>            |

For the year ended December 31, 2021

| <b>Deferred Tax Assets</b>  | <b>Opening Balance</b> | <b>Recognized in Profit or Loss</b> | <b>Recognized in Other Comprehensive Income</b> | <b>Exchange Differences</b> | <b>Closing Balance</b> |
|-----------------------------|------------------------|-------------------------------------|-------------------------------------------------|-----------------------------|------------------------|
| Temporary differences       |                        |                                     |                                                 |                             |                        |
| Defined benefit obligations | \$ 4,633               | \$ (459)                            | \$ 103                                          | \$ (7)                      | \$ 4,270               |
| Others                      | <u>22,363</u>          | <u>(238)</u>                        | <u>-</u>                                        | <u>(109)</u>                | <u>22,016</u>          |
|                             | <u>\$ 26,996</u>       | <u>\$ (697)</u>                     | <u>\$ 103</u>                                   | <u>\$ (116)</u>             | <u>\$ 26,286</u>       |

| <b>Deferred Tax Liabilities</b>                                      | <b>Opening Balance</b> | <b>Recognized in Profit or Loss</b> | <b>Recognized in Other Comprehensive Income</b> | <b>Exchange Differences</b> | <b>Closing Balance</b> |
|----------------------------------------------------------------------|------------------------|-------------------------------------|-------------------------------------------------|-----------------------------|------------------------|
| Temporary differences                                                |                        |                                     |                                                 |                             |                        |
| Share of profit of investments accounted for using the equity method | \$ 13,567              | \$ (6,103)                          | \$ -                                            | \$ -                        | \$ 7,464               |
| Others                                                               | <u>5</u>               | <u>90</u>                           | <u>-</u>                                        | <u>-</u>                    | <u>95</u>              |
|                                                                      | <u>\$ 13,572</u>       | <u>\$ (6,013)</u>                   | <u>\$ -</u>                                     | <u>\$ -</u>                 | <u>\$ 7,559</u>        |

- e. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

|                    | <b>December 31</b> |                   |
|--------------------|--------------------|-------------------|
|                    | <b>2022</b>        | <b>2021</b>       |
| Loss carryforwards |                    |                   |
| Expiry in 2022     | \$ -               | \$ 14,059         |
| Expiry in 2023     | 26,006             | 25,626            |
| Expiry in 2024     | 76,697             | 77,505            |
| Expiry in 2025     | 70,147             | 69,125            |
| Expiry in 2026     | 18,875             | 37,326            |
| Expiry in 2028     | -                  | 489               |
| Expiry in 2031     | <u>-</u>           | <u>274</u>        |
|                    | <u>\$ 191,725</u>  | <u>\$ 224,404</u> |

- f. Income tax assessments

The income tax returns assessed by the tax authorities were as follows:

| <b>Company Name</b> | <b>Income Tax Assessment</b> |
|---------------------|------------------------------|
| The Company         | Assessed through 2020        |

## 24. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

### Net Profit for the Year

|                                                           | <b><u>For the Year Ended December 31</u></b> |                  |
|-----------------------------------------------------------|----------------------------------------------|------------------|
|                                                           | <b>2022</b>                                  | <b>2021</b>      |
| Profit for the year attributable to owners of the Company | <u>\$ 62,787</u>                             | <u>\$ 42,099</u> |

### Number of Shares

**Unit: In Thousands of Shares**

|                                                                                                  | <b><u>For the Year Ended December 31</u></b> |                |
|--------------------------------------------------------------------------------------------------|----------------------------------------------|----------------|
|                                                                                                  | <b>2022</b>                                  | <b>2021</b>    |
| Weighted average number of ordinary shares used in the computation of basic earnings per share   | 167,042                                      | 167,042        |
| Effect of potentially dilutive ordinary shares                                                   |                                              |                |
| Compensation of employees                                                                        | <u>339</u>                                   | <u>158</u>     |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>167,381</u>                               | <u>167,200</u> |

The Group may settle the compensation of employees or employee bonus in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonus will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 25. CAPITAL MANAGEMENT

The main goal of capital management for the Group is to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Group's capital risk and risk management strategies remain unchanged. The capital structure of the Group consists of debt and equity attributable to owners of the Company.

The board of directors of the Group review the capital structure on a regular basis. As part of this review, the board of directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, in order to balance the overall capital structure, the Group may adjust the amount of the number of new shares issued, and the amount of new debt borrowed or existing debt redeemed.



## 26. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

The management of the Group considers the carrying amounts of the Group's financial assets and financial liabilities that are not measured at fair value as close to their fair values or that the fair value cannot be reliably measured.

### b. Fair value of financial instruments measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2022

|                                          | Level 1          | Level 2     | Level 3       | Total            |
|------------------------------------------|------------------|-------------|---------------|------------------|
| Financial assets at FVTPL                |                  |             |               |                  |
| Listed shares and emerging market shares | \$ 28,443        | \$ -        | \$ -          | \$ 28,443        |
| Unlisted shares                          | -                | -           | 479           | 479              |
| Mutual funds                             | <u>677</u>       | <u>-</u>    | <u>-</u>      | <u>677</u>       |
|                                          | <u>\$ 29,120</u> | <u>\$ -</u> | <u>\$ 479</u> | <u>\$ 29,599</u> |

December 31, 2021

|                                          | Level 1          | Level 2     | Level 3       | Total            |
|------------------------------------------|------------------|-------------|---------------|------------------|
| Financial assets at FVTPL                |                  |             |               |                  |
| Listed shares and emerging market shares | \$ 30,076        | \$ -        | \$ -          | \$ 30,076        |
| Unlisted shares                          | <u>-</u>         | <u>-</u>    | <u>573</u>    | <u>573</u>       |
|                                          | <u>\$ 30,076</u> | <u>\$ -</u> | <u>\$ 573</u> | <u>\$ 30,649</u> |

There were no transfers between Levels 1 and 2 in the current and prior years.

#### 2) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of domestic unlisted shares are determined using the asset-based approach. In this approach, the measurement was based on the net worth as shown in the most recent financial statements of the investee company, the adjustment of fair value and liquidity discount.

### c. Categories of financial instruments

|                                        | <u>December 31</u> |             |
|----------------------------------------|--------------------|-------------|
|                                        | <u>2022</u>        | <u>2021</u> |
| <u>Financial assets</u>                |                    |             |
| FVTPL                                  |                    |             |
| Mandatorily classified as at FVTPL     | \$ 29,599          | \$ 30,649   |
| Financial assets at amortized cost (1) | 1,607,454          | 1,538,569   |

(Continued)

|                              | <b>December 31</b> |                           |
|------------------------------|--------------------|---------------------------|
|                              | <b>2022</b>        | <b>2021</b>               |
| <u>Financial liabilities</u> |                    |                           |
| FVTPL                        |                    |                           |
| Amortized cost (2)           | \$ 1,183,697       | \$ 876,010<br>(Concluded) |

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade and other receivables, and refundable deposits.
- 2) The balances include financial liabilities at amortized cost, which comprise short-term loans, short-term bills payable, notes payable, trade and other payables, current portion of long-term borrowings, and long-term loans.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, notes receivable, trade and other receivables, trade payables, short-term bills payable, notes payable, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company and several subsidiaries of the Company have foreign currency denominated sales and purchases, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the year are set out in Note 30.

Sensitivity analysis

The Group is mainly exposed to the USD.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the year for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar strengthening 5% against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

|                | <b>U.S. Dollar Impact</b>             |             |
|----------------|---------------------------------------|-------------|
|                | <b>For the Year Ended December 31</b> |             |
|                | <b>2022</b>                           | <b>2021</b> |
| Profit or loss | \$ 18,524                             | \$ 21,407   |

The result was mainly attributable to the exposure on outstanding receivables and payables in U.S. dollar that were not hedged at the end of the year.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

|                               | <b>December 31</b> |             |
|-------------------------------|--------------------|-------------|
|                               | <b>2022</b>        | <b>2021</b> |
| Fair value interest rate risk |                    |             |
| Financial assets              | \$ 409,376         | \$ 342,919  |
| Financial liabilities         | (284,133)          | (238,320)   |
| Cash flow interest rate risk  |                    |             |
| Financial assets              | 507,735            | 617,064     |
| Financial liabilities         | (543,024)          | (380,000)   |

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased/increased by \$176 thousand and \$1,185 thousand, respectively, which was mainly a result of variable-rate bank deposits and variable-rate borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed and emerging market equity securities, unlisted equity securities, and mutual funds. The Group manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity prices had been 5% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$1,480 thousand and \$1,532 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of the following:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The Group transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and, 2021, the Group had available unutilized short-term bank loan facilities of \$615,376 thousand and \$612,040 thousand, respectively.

Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amounts were derived from the interest rate curve at the end of the year.

December 31, 2022

|                                                 | On<br>Demand or<br>Less than<br>1 Month | 1-3 Months        | 3 Months to<br>1 Year | 1-5 Years         | 5+ Years         |
|-------------------------------------------------|-----------------------------------------|-------------------|-----------------------|-------------------|------------------|
| <u>Non-derivative<br/>financial liabilities</u> |                                         |                   |                       |                   |                  |
| Notes payable and trade payables                | \$ 82,650                               | \$ 107,987        | \$ 29,556             | \$ 558            | \$ -             |
| Lease liabilities                               | 2,637                                   | 697               | 5,424                 | 24,695            | 86,971           |
| Variable interest rate liabilities              | 114,239                                 | 115,335           | 179,025               | 138,949           | -                |
| Fixed interest rate liabilities                 | <u>100,071</u>                          | <u>170,055</u>    | <u>15,786</u>         | <u>-</u>          | <u>-</u>         |
|                                                 | <u>\$ 299,597</u>                       | <u>\$ 394,074</u> | <u>\$ 229,791</u>     | <u>\$ 164,202</u> | <u>\$ 86,971</u> |

Further information on the maturity analysis of the above financial liabilities was as follows:

|                   | Less than 1<br>Year | 1-5 Years        | 5-10 Years       | 10-15 Years      | 15-20 Years      | 20+ Years        |
|-------------------|---------------------|------------------|------------------|------------------|------------------|------------------|
| Lease liabilities | <u>\$ 8,758</u>     | <u>\$ 24,695</u> | <u>\$ 22,887</u> | <u>\$ 22,887</u> | <u>\$ 22,887</u> | <u>\$ 18,310</u> |

December 31, 2021

|                                                 | On<br>Demand or<br>Less than<br>1 Month | 1-3 Months        | 3 Months to<br>1 Year | 1-5 Years        | 5+ Years         |
|-------------------------------------------------|-----------------------------------------|-------------------|-----------------------|------------------|------------------|
| <u>Non-derivative<br/>financial liabilities</u> |                                         |                   |                       |                  |                  |
| Notes payable and trade payables                | \$ 38,273                               | \$ 66,117         | \$ 34,554             | \$ 26            | \$ -             |
| Lease liabilities                               | 2,508                                   | 505               | 4,471                 | 22,759           | 90,212           |
| Variable interest rate liabilities              | 155,073                                 | 110,166           | 85,316                | 30,388           | -                |
| Fixed interest rate liabilities                 | <u>100,032</u>                          | <u>-</u>          | <u>138,640</u>        | <u>-</u>         | <u>-</u>         |
|                                                 | <u>\$ 295,886</u>                       | <u>\$ 176,788</u> | <u>\$ 262,981</u>     | <u>\$ 53,173</u> | <u>\$ 90,212</u> |

Further information on the maturity analysis of the above financial liabilities was as follows:

|                   | Less than 1<br>Year | 1-5 Years        | 5-10 Years       | 10-15 Years      | 15-20 Years      | 20+ Years        |
|-------------------|---------------------|------------------|------------------|------------------|------------------|------------------|
| Lease liabilities | <u>\$ 7,484</u>     | <u>\$ 22,759</u> | <u>\$ 22,553</u> | <u>\$ 22,553</u> | <u>\$ 22,553</u> | <u>\$ 22,553</u> |

e. Transfers of financial assets

During the year ended December 31, 2022, the Group transferred a portion of its commercial acceptance bills that would be accepted by banks with good credit ratings in mainland China with an aggregate carrying amount of \$48,564 thousand, to some of its suppliers in order to settle the trade payables. As the Group has not transferred the significant risks and rewards relating to these commercial acceptance bills, it continues to recognize the full carrying amounts of these commercial acceptance bills and treats these commercial acceptance bills that have been transferred to suppliers as collateral for payment to suppliers.

As of December 31, 2022, the carrying amount of these commercial acceptance bills that have been transferred but not derecognized was \$35,072 thousand.

The Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the trade payables to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated trade payables. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2021, the face amounts of these unsettled bills receivable amounted to \$28,322 thousand. The unsettled bills receivable will be due in 11 months after December 31, 2021. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of its continuing involvement are not significant.

During the years ended December 31, 2022 and 2021, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the current year and cumulatively.

## 27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows.

a. Related party name and category

| Related Party Name           | Related Party Category     |
|------------------------------|----------------------------|
| Pao Lai Technology Co., Ltd. | Related party in substance |
| TSAI, HSIEN-LUNG             | Related party in substance |
| TSAI HUNG, KUEI-MEI          | Related party in substance |
| TSAI, YU-CHIEH               | Related party in substance |
| TSAI, LI-HAO                 | Related party in substance |
| TSAI, SUNG-YU                | Related party in substance |
| TSAI, YI-CHIH                | Related party in substance |
| TSAI, PEI-CHUN               | Related party in substance |
| TSAI, CHAO-HUNG              | Related party in substance |
| TSAI, CHANG-KEN              | Related party in substance |
| TSAI, YUN-SHAN               | Related party in substance |
| TSAI, FANG-JEN               | Related party in substance |

(Continued)

| <u>Related Party Name</u> | <u>Related Party Category</u> |
|---------------------------|-------------------------------|
| TSAI, KUN-TA              | Related party in substance    |
| CHEN, PI-CHIN             | Related party in substance    |
|                           | (Concluded)                   |

b. Lease arrangements - the Group is lessee

|                                           | <u>For the Year Ended December 31</u> |                 |
|-------------------------------------------|---------------------------------------|-----------------|
| <u>Related Party Category</u>             | <u>2022</u>                           | <u>2021</u>     |
| <u>Acquisition of right-of-use assets</u> |                                       |                 |
| Related party in substance                | \$ <u>4,680</u>                       | \$ <u>1,903</u> |

| <u>Line Item</u>  | <u>Related Party Category/Name</u> | <u>December 31</u> |                 |
|-------------------|------------------------------------|--------------------|-----------------|
|                   |                                    | <u>2022</u>        | <u>2021</u>     |
| Lease liabilities | Related party in substance         | \$ <u>5,787</u>    | \$ <u>2,688</u> |

|                                    | <u>For the Year Ended December 31</u> |              |
|------------------------------------|---------------------------------------|--------------|
| <u>Related Party Category/Name</u> | <u>2022</u>                           | <u>2021</u>  |
| <u>Interest expense</u>            |                                       |              |
| Related party in substance         | \$ <u>63</u>                          | \$ <u>46</u> |

The Group leased right-of-use of plants from its related parties in substance in May 2020. The lease term of the contract was 3 years; the rental is based on the market rental rates of similar assets and the fixed lease payments are paid quarterly.

The Group leased right-of-use of land and plants from its associates in January 2022. The lease term of the contract was 5 years; the rental is based on the market rental rates of similar assets and the fixed lease payments are paid quarterly.

c. Other transactions with related parties

The Group obtained secured borrowings from banks with its related parties in substance, with HSIEN-LUNG TSAI and PI-CHIN CHEN being the joint guarantors.

d. Remuneration of key management personnel

|                              | <u>For the Year Ended December 31</u> |                  |
|------------------------------|---------------------------------------|------------------|
|                              | <u>2022</u>                           | <u>2021</u>      |
| Short-term employee benefits | \$ 30,876                             | \$ 27,607        |
| Post-employment benefits     | <u>365</u>                            | <u>272</u>       |
|                              | \$ <u>31,241</u>                      | \$ <u>27,879</u> |

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

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings or the deposits for construction:

|                            | December 31       |                   |
|----------------------------|-------------------|-------------------|
|                            | 2022              | 2021              |
| Restricted deposits        | \$ 47,304         | \$ 55,131         |
| Land, net                  | 476,855           | 476,855           |
| Buildings, net             | 15,688            | 18,077            |
| Investment properties, net | <u>105,690</u>    | <u>107,625</u>    |
|                            | <u>\$ 645,537</u> | <u>\$ 657,688</u> |

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at December 31, 2022 and 2021 were as follows:

### a. Significant unrecognized commitments

- 1) The Group's unused letters of credit for purchases of raw materials and fixed assets were as follows:

|             | December 31     |                 |
|-------------|-----------------|-----------------|
|             | 2022            | 2021            |
| U.S. Dollar | <u>\$ 1,431</u> | <u>\$ 1,660</u> |

- 2) Guarantee notes received that arose from sales and construction-in-progress were as follows:

|                          | December 31      |                  |
|--------------------------|------------------|------------------|
|                          | 2022             | 2021             |
| Guarantee notes received | <u>\$ 43,596</u> | <u>\$ 33,991</u> |

- 3) Guarantee notes submitted that arose from construction were as follows:

|                           | December 31      |                  |
|---------------------------|------------------|------------------|
|                           | 2022             | 2021             |
| Guarantee notes submitted | <u>\$ 25,605</u> | <u>\$ 12,214</u> |

### b. Contingent liabilities

On October 15, 2018, the Forest Department of Bangladesh filed a lawsuit against the subsidiary China Glaze Bangladesh for the unauthorized land use for building a factory and sought for a return of the land. The carrying amount of the land involved in the legal claim was \$34,729 thousand (BDT95,000,000). The Group believes, based on legal advice and the fact that the process of land acquisition was legally completed and ended without any unpaid fee, that the action can be successfully defended and therefore no losses will be incurred. A judgment was not rendered in the latest trial, and the case is still ongoing.



### 30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2022

|                         | <b>Foreign<br/>Currency</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|-------------------------|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u> |                             |                      |                            |
| Monetary items          |                             |                      |                            |
| USD                     | \$ 13,294                   | 30.70 (USD:NTD)      | <u>\$ 408,126</u>          |
| USD                     | 1,031                       | 6.96 (USD:RMB)       | <u>\$ 31,652</u>           |
| USD                     | 917                         | 15,566.63 (USD:IDR)  | <u>\$ 28,152</u>           |

Financial liabilities

|                |       |                     |                  |
|----------------|-------|---------------------|------------------|
| Monetary items |       |                     |                  |
| USD            | 3,112 | 30.70 (USD:NTD)     | <u>\$ 95,538</u> |
| USD            | 43    | 6.96 (USD:RMB)      | <u>\$ 1,320</u>  |
| USD            | 19    | 15,566.63 (USD:IDR) | <u>\$ 583</u>    |

December 31, 2021

|                              | <b>Foreign<br/>Currency</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|------------------------------|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u>      |                             |                      |                            |
| Monetary items               |                             |                      |                            |
| USD                          | \$ 947                      | 27.67 (USD:NTD)      | <u>\$ 441,253</u>          |
| USD                          | 1,165                       | 6.37 (USD:RMB)       | <u>\$ 32,236</u>           |
| <u>Financial liabilities</u> |                             |                      |                            |
| Monetary items               |                             |                      |                            |
| USD                          | 1,589                       | 27.67 (USD:NTD)      | <u>\$ 43,968</u>           |
| USD                          | 50                          | 6.37 (USD:RMB)       | <u>\$ 1,384</u>            |

For the years ended December 31, 2022 and 2021, net foreign exchange (losses) gains were \$24,127 thousand and \$(6,888) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

### 31. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

1) Financing provided to others: Table 1

2) Endorsements/guarantees provided: Table 2

- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 3
  - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
  - 9) Trading in derivative instruments: None
  - 10) Intercompany relationships and significant intercompany transactions: Table 4
- b. Information on investees: Table 5
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 7

## 32. SEGMENT INFORMATION

Information reported to the chief operating decision maker by the Group for the purpose of resource allocation and assessment of segment performance focuses on the operating outcome of each entity. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were the Company, Sanshui T&H, China Glaze Indonesia, and Shandong T&H. The remaining subsidiaries had not exceeded the quantitative thresholds for disclosure and would be aggregated into a single operating segment for disclosure, presented in others.

a. Segment revenue and results

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

|                                       | <b>Segment Revenue</b>    |                     | <b>Segment Profit and Loss</b> |                  |
|---------------------------------------|---------------------------|---------------------|--------------------------------|------------------|
|                                       | <b>For the Year Ended</b> |                     | <b>For the Year Ended</b>      |                  |
|                                       | <b>December 31</b>        |                     | <b>December 31</b>             |                  |
|                                       | <b>2022</b>               | <b>2021</b>         | <b>2022</b>                    | <b>2021</b>      |
| The Company                           | \$ 1,893,388              | \$ 1,518,403        | \$ 407,594                     | \$ 346,562       |
| Sanshui T&H                           | 139,525                   | 281,742             | 24,462                         | 45,146           |
| China Glaze Indonesia                 | 266,765                   | 98,068              | 57,631                         | 7,963            |
| Shandong T&H                          | 160,844                   | 177,520             | 11,647                         | 19,253           |
| Others                                | <u>131,509</u>            | <u>123,064</u>      | <u>27,556</u>                  | <u>23,804</u>    |
| Total amount of continuing operations | <u>\$ 2,592,031</u>       | <u>\$ 2,198,797</u> | 528,890                        | 442,728          |
| Administration costs                  |                           |                     | (566,113)                      | (483,402)        |
| Other net operating income            |                           |                     | 26,401                         | 26,903           |
| Interest income                       |                           |                     | 9,583                          | 8,888            |
| Other income                          |                           |                     | 11,212                         | 23,224           |
| Other gains and losses                |                           |                     | 38,961                         | 25,705           |
| Finance costs                         |                           |                     | <u>(11,165)</u>                | <u>(8,129)</u>   |
| Profit before tax                     |                           |                     | <u>\$ 37,769</u>               | <u>\$ 35,917</u> |

The abovementioned segment revenue was generated from transactions with external customers. There were no inter-segment transactions in the current and prior years.

Segment profit represents the profit before tax earned by each segment without administration costs and directors' salaries, other net operating income, interest income, other income, other gains and losses, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Total segment assets

|                           | <b>December 31</b>  |                     |
|---------------------------|---------------------|---------------------|
|                           | <b>2022</b>         | <b>2021</b>         |
| <u>Segment assets</u>     |                     |                     |
| The Company               | \$ 2,684,522        | \$ 2,410,310        |
| Sanshui T&H               | 679,772             | 717,434             |
| China Glaze Indonesia     | 457,090             | 367,052             |
| Shandong T&H              | 313,325             | 293,037             |
| Others                    | <u>597,893</u>      | <u>596,032</u>      |
| Consolidated total assets | <u>\$ 4,732,602</u> | <u>\$ 4,383,865</u> |

c. Information on major customers

Revenue of approximately \$272,027 thousand and \$193,565 thousand in 2022 and 2021, respectively, arose from sales to the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue for both 2022 and 2021.

TABLE 1

CHINA GLAZE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No.<br>(Note 1) | Lender       | Borrower              | Financial<br>Statement<br>Account | Related Party | Highest<br>Balance for the<br>Period | Ending<br>Balance<br>(Note 4) | Actual Amount<br>Borrowed | Interest Rate (%)                           | Nature of<br>Financing  | Business<br>Transaction<br>Amount | Reasons for<br>Short-term<br>Financing | Allowance for<br>Impairment<br>Loss | Collateral      |                           | Financing<br>Limit for Each<br>Borrower<br>(Notes 2 and 3) | Aggregate<br>Financing<br>Limit<br>(Notes 2 and 3) |
|-----------------|--------------|-----------------------|-----------------------------------|---------------|--------------------------------------|-------------------------------|---------------------------|---------------------------------------------|-------------------------|-----------------------------------|----------------------------------------|-------------------------------------|-----------------|---------------------------|------------------------------------------------------------|----------------------------------------------------|
|                 |              |                       |                                   |               |                                      |                               |                           |                                             |                         |                                   |                                        |                                     | Item            | Value                     |                                                            |                                                    |
| 1               | DRAGON LUCK  | China Glaze Indonesia | Other receivables                 | Y             | \$ 46,050<br>(US\$ 1,500)            | \$ 46,050<br>(US\$ 1,500)     | \$ 24,560<br>(US\$ 800)   | In accordance with<br>market interest rates | Short-term<br>financing | \$ -                              | Operating<br>capital                   | \$ -                                | Promissory note | \$ 46,050<br>(US\$ 1,500) | \$ 48,992<br>(US\$ 1,596)                                  | \$ 97,984<br>(US\$ 3,192)                          |
| 2               | CERATEK      | China Glaze Indonesia | Other receivables                 | Y             | 15,350<br>(US\$ 500)                 | 15,350<br>(US\$ 500)          | 15,350<br>(US\$ 500)      | In accordance with<br>market interest rates | Short-term<br>financing | -                                 | Operating<br>capital                   | -                                   | Promissory note | 15,350<br>(US\$ 500)      | 22,981<br>(US\$ 749)                                       | 45,963<br>(US\$ 1,497)                             |
|                 |              | TAITOP                | Other receivables                 | Y             | 15,350<br>(US\$ 500)                 | 15,350<br>(US\$ 500)          | -<br>-                    | In accordance with<br>market interest rates | Short-term<br>financing | -                                 | Operating<br>capital                   | -                                   | Promissory note | 15,350<br>(US\$ 500)      | 22,981<br>(US\$ 749)                                       | 45,963<br>(US\$ 1,497)                             |
| 3               | Shanghai T&H | Shandong T&H          | Other receivables                 | Y             | 35,390<br>(RMB 8,027)                | 35,390<br>(RMB 8,027)         | 35,390<br>(RMB 8,027)     | 0.3%                                        | Short-term<br>financing | -                                 | Operating<br>capital                   | -                                   | NA              | -<br>-                    | 63,225<br>(RMB 14,340)                                     | 126,450<br>(RMB 28,680)                            |

Note 1: The number column is represented as follows:

- a. “0” represents the Company.
- b. Subsidiaries are numbered from “1”.

Note 2: The aggregate amount available for lending shall not exceed 40% of the Company’s net worth and the total amount financed to any single entity shall not exceed 20% of the net worth based on the most recent financial statements of the Company.

Note 3: For each subsidiary, the aggregate amount available for lending shall not exceed 40% of the subsidiary’s net worth and the total amount financed to any single entity shall not exceed 20% of the subsidiary’s net worth based on the most recent financial statements of the subsidiary.

Note 4: The maximum amounts for the ending balance represent the amounts approved by the board of directors.

Note 5: The above transactions have been eliminated in the consolidated financial statements.

TABLE 2

CHINA GLAZE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No.<br>(Note 1) | Endorser/Guarantor    | Endorsee/Guarantee                        |                          | Limit on<br>Endorsement/<br>Guarantee Given<br>on Behalf of<br>Each Party<br>(Notes 3 and 4) | Maximum<br>Amount<br>Endorsed/<br>Guaranteed<br>During the<br>Period | Outstanding<br>Endorsement/<br>Guarantee at the<br>End of the Period<br>(Note 5) | Actual Amount<br>Borrowed | Amount<br>Endorsed/<br>Guaranteed by<br>Collateral | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Equity in Latest<br>Financial<br>Statements (%) | Aggregate<br>Endorsement/<br>Guarantee Limit<br>(Notes 3 and 4) | Endorsement/<br>Guarantee Given<br>by Parent on<br>Behalf of<br>Subsidiaries<br>(Note 6) | Endorsement/<br>Guarantee Given<br>by Subsidiaries<br>on Behalf of<br>Parent<br>(Note 6) | Endorsement/<br>Guarantee Given<br>on Behalf of<br>Companies in<br>Mainland China<br>(Note 6) |
|-----------------|-----------------------|-------------------------------------------|--------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
|                 |                       | Name                                      | Relationship<br>(Note 2) |                                                                                              |                                                                      |                                                                                  |                           |                                                    |                                                                                                                |                                                                 |                                                                                          |                                                                                          |                                                                                               |
| 0               | China Glaze Co., Ltd. | Taiwan Kumagai Co., Ltd.                  | a                        | \$ 590,259                                                                                   | \$ 574                                                               | \$ -                                                                             | \$ -                      | \$ -                                               | -                                                                                                              | \$ 1,180,519                                                    | N                                                                                        | N                                                                                        | N                                                                                             |
|                 |                       | Dong Shan Construction Co., Ltd.          | a                        | 590,259                                                                                      | 1,048                                                                | -                                                                                | -                         | -                                                  | -                                                                                                              | 1,180,519                                                       | N                                                                                        | N                                                                                        | N                                                                                             |
|                 |                       | Li Ming Construction Co., Ltd.            | a                        | 590,259                                                                                      | 1,520                                                                | -                                                                                | -                         | -                                                  | -                                                                                                              | 1,180,519                                                       | N                                                                                        | N                                                                                        | N                                                                                             |
|                 |                       | Earth Power Co., Ltd.                     | a                        | 590,259                                                                                      | 1,519                                                                | 1,519                                                                            | 1,519                     | -                                                  | 0.05                                                                                                           | 1,180,519                                                       | N                                                                                        | N                                                                                        | N                                                                                             |
|                 |                       | Yeh Tsai Chi Construction Co., Ltd.       | a                        | 590,259                                                                                      | 2,380                                                                | 2,380                                                                            | 2,380                     | -                                                  | 0.08                                                                                                           | 1,180,519                                                       | N                                                                                        | N                                                                                        | N                                                                                             |
|                 |                       | Wei Da Construction Co., Ltd.             | a                        | 590,259                                                                                      | 1,640                                                                | -                                                                                | -                         | -                                                  | -                                                                                                              | 1,180,519                                                       | N                                                                                        | N                                                                                        | N                                                                                             |
|                 |                       | Kong Chou Construction Co., Ltd.          | a                        | 590,259                                                                                      | 3,465                                                                | 3,465                                                                            | 3,465                     | -                                                  | 0.12                                                                                                           | 1,180,519                                                       | N                                                                                        | N                                                                                        | N                                                                                             |
|                 |                       | Yung Fu Real Estate Development Co., Ltd. | a                        | 590,259                                                                                      | 68                                                                   | 68                                                                               | 68                        | -                                                  | -                                                                                                              | 1,180,519                                                       | N                                                                                        | N                                                                                        | N                                                                                             |
|                 |                       | Feng Yu United Engineering Co., Ltd.      | a                        | 590,259                                                                                      | 18,173                                                               | 18,173                                                                           | 18,173                    | -                                                  | 0.62                                                                                                           | 1,180,519                                                       | N                                                                                        | N                                                                                        | N                                                                                             |

Note 1: The number column is represented as follows:

- a. “0” represents the Company.
- b. Subsidiaries are numbered from “1”.

Note 2: Relationships between the endorser/guarantor and the endorsee/guarantee:

- a. The Company and the guarantee have business dealings with each other.
- b. The Company directly and indirectly owned over 50% of guarantee’s voting stocks.
- c. The guarantee owned directly and indirectly over 50% of the Company’s voting stocks.
- d. The Company directly and indirectly owned over 90% of guarantee’s voting stocks.
- e. The guarantor and guarantee are peers in contract projects or co-builders in accordance with contract provisions which require mutual insurance company.
- f. Owing to the joint venture funded by all shareholders on its endorsement of its holding company.
- g. Peers in performance bond joint security of pre-sale house contract under Consumer Protection Act.

Note 3: The maximum amount of the aggregate endorsement/guarantee provided to each guarantee shall not exceed 40% of the Company’s net worth as shown in its most recent financial statements. The maximum amount of the endorsement/guarantee provided to any single entity shall not exceed 20% of the Company’s net worth as shown in its most recent financial statements.

Note 4: For each subsidiary, the maximum amount of the aggregate endorsement/guarantee provided to each guarantee shall not exceed 40% of the subsidiary’s net worth as shown in its most recent financial statements. The maximum amount of the endorsement/guarantee provided to any single entity shall not exceed 20% of the subsidiary’s net worth as shown in its most recent financial statements.

Note 5: The balance shall be the amount approved by the board of directors. If the chairman is authorized by the board of directors to make the endorsement/guarantee decisions based on the guidelines for lending of capital, endorsements and guarantees by Public Companies Art. 12.8, the balance is the amount approved by the chairman.

Note 6: Include endorsement/guarantee made by the public company for its subsidiaries, endorsement/guarantee made by the subsidiary for its parent company, and “Y” shall be filled in for endorsement/guarantee related to companies in mainland China.

**TABLE 3****CHINA GLAZE CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Holding Company Name  | Type and Name of Marketable Securities (Note 1)                        | Relationship with the Holding Company (Note 2) | Financial Statement Account                                         | December 31, 2022 |                          |                             |            | Note |
|-----------------------|------------------------------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------|-------------------|--------------------------|-----------------------------|------------|------|
|                       |                                                                        |                                                |                                                                     | Number of Shares  | Carrying Amount (Note 3) | Percentage of Ownership (%) | Fair Value |      |
| China Glaze Co., Ltd. | <u>Stock</u><br>Cathay Financial Holdings Co., Ltd. - preference share | NA                                             | Financial assets at fair value through profit or loss - current     | 363               | \$ 20,546                | -                           | \$ 20,546  | -    |
|                       | Fubon Financial Holding Co., Ltd. - preference share                   | "                                              | "                                                                   | 64                | 3,866                    | -                           | 3,866      | -    |
|                       | China Development Financial Holding Co., Ltd. - preference share       | "                                              | "                                                                   | 115               | 890                      | -                           | 890        | -    |
|                       | Evergreen Marine Co., Ltd.                                             | "                                              | "                                                                   | 12                | 1,956                    | -                           | 1,956      | -    |
|                       | Cathay Financial Holding Co., Ltd. - ordinary share                    | "                                              | "                                                                   | 30                | 1,185                    | -                           | 1,185      | -    |
|                       | <u>Mutual fund</u><br>Cathay Taiwan 5G Plus ETF                        | "                                              | "                                                                   | 50                | 677                      | -                           | 677        | -    |
|                       | <u>Stock</u><br>Urline International Co., Ltd.                         | "                                              | Financial assets at fair value through profit or loss - non-current | 53                | 364                      | 2.02                        | 364        | -    |
|                       | Giga Electronic Technology Co., Ltd.                                   | "                                              | "                                                                   | 24                | 45                       | 0.07                        | 45         | -    |
|                       | Coho Biomedical Technology Co., Ltd.                                   | "                                              | "                                                                   | 10                | 70                       | 0.06                        | 70         | -    |
|                       |                                                                        |                                                |                                                                     |                   |                          |                             |            |      |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities in accordance with IFRS 9 “Financial Instruments”.

Note 2: If the issuer of marketable securities is a non-related party, the column is not required to be filled in.

Note 3: The carrying amount of the financial assets at fair value through profit or loss is shown as the carrying amount after adjustment for fair value and net of allowance for losses. The carrying amount of the financial assets that is not measured at fair value is the carrying amount of the amortized cost (net of allowance for losses).

Note 4: If the marketable securities listed are subject to restrictions due to the provision of guarantees, pledged borrowings or other contractual restrictions, the number of shares provided as guarantees or pledged borrowings, the amounts of guarantees or pledged borrowings and the restrictions on their use should be indicated in the Note column.

Note 5: Refer to Table 5 and Table 6 for information relating to investee companies.

**TABLE 4****CHINA GLAZE CO., LTD. AND SUBSIDIARIES**
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Amounts in Thousands of New Taiwan Dollars)**

| No.<br>(Note 1) | Investee Company | Counterparty           | Relationship<br>(Note 2) | Transaction Details         |           |                     |                                           |
|-----------------|------------------|------------------------|--------------------------|-----------------------------|-----------|---------------------|-------------------------------------------|
|                 |                  |                        |                          | Financial Statement Account | Amount    | Payment Terms       | % of Total<br>Sales or Assets<br>(Note 3) |
| 0               | The Company      | China Glaze Indonesia  | a                        | Revenue                     | \$ 35,279 | General trade terms | 1                                         |
|                 |                  | China Glaze Indonesia  | a                        | Trade receivables           | 19,378    | "                   | -                                         |
|                 |                  | China Glaze Bangladesh | a                        | Revenue                     | 18,928    | "                   | 1                                         |
|                 |                  | Sanshui T&H            | a                        | Cost of goods sold          | 63,813    | "                   | 2                                         |
| 1               | Shandong T&H     | Sanshui T&H            | c                        | Revenue                     | 25,082    | "                   | 1                                         |
| 2               | Shanghai T&H     | Shandong T&H           | c                        | Trade receivables           | 27,082    | "                   | 1                                         |
|                 |                  | Shandong T&H           | c                        | Other receivables           | 35,448    | "                   | 1                                         |
| 3               | DRAGON LUCK      | China Glaze Indonesia  | a                        | Other receivables           | 24,680    | "                   | 1                                         |
| 4               | CERATEK          | China Glaze Indonesia  | c                        | Revenue                     | 34,726    | "                   | 1                                         |
|                 |                  | China Glaze Indonesia  | c                        | Trade receivables           | 22,397    | "                   | -                                         |
|                 |                  | China Glaze Indonesia  | c                        | Other receivables           | 15,596    | "                   | -                                         |

Note 1: Information on transactions between the parent company and subsidiaries should be stated in the number column, and the number is determined as follows:

- a. "0" represents the parent company.
- b. Subsidiaries are numbered from "1".

Note 2: The relationship category among parties in the transaction is determined as follows: (There is no need to declare the same interaction between the parent company and the subsidiary, or the same transaction among subsidiaries repeatedly. For example, if the parent company has declared the transaction from parent company to subsidiary, the subsidiary does not need to repeatedly declare the same transaction. If the transaction is between subsidiaries, when one subsidiary has declared the transaction, the other subsidiary does not need to declare the same transaction)

- a. From parent company to subsidiary.
- b. From subsidiary to parent company.
- c. From subsidiary to subsidiary.

Note 3: When calculating the amount of transaction as a proportion of the consolidated revenue or assets, if it is recognized as items of assets or liabilities, the ending balance should be divided by the consolidated assets; if it is recognized as income or loss, the midterm accumulated amount should be divided by the consolidated assets.

Note 4: Significant transactions refer to the transactions amounting to at least NT\$100 million.

Note 5: The above transactions have been eliminated in the consolidated financial statements.



**TABLE 5**

**CHINA GLAZE CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company           | Investee Company               | Location               | Main Businesses and Products               | Original Investment Amount    |                               | As of December 31, 2022 |        |                         | Net Income (Loss) of the Investee | Share of Profit (Loss)   | Note                |
|----------------------------|--------------------------------|------------------------|--------------------------------------------|-------------------------------|-------------------------------|-------------------------|--------|-------------------------|-----------------------------------|--------------------------|---------------------|
|                            |                                |                        |                                            | December 31, 2022<br>(Note 4) | December 31, 2021<br>(Note 4) | Number of Shares        | %      | Carrying Amount         |                                   |                          |                     |
| China Glaze Co., Ltd.      | C.G.C. DEVELOPMENT LTD.        | British Virgin Islands | Investment                                 | \$ 824,305                    | \$ 824,305                    | 15,540,000              | 60.00  | \$ 711,798              | \$ (76,957)                       | \$ (46,949)              | Subsidiary          |
|                            | DRAGON LUCK HOLDING LTD.       | Seychelles             | Investment                                 | 220,003                       | 220,003                       | 6,800,000               | 100.00 | 243,618                 | (3,101)                           | (3,101)                  | Subsidiary          |
|                            | WUAN-SUN INVESTMENT CO., LTD   | Hsinchu, Taiwan        | Investment                                 | -                             | 23,795                        | -                       | -      | -                       | -                                 | -                        | Subsidiary (Note 1) |
|                            | FOUR BROTHERS HOLDING LTD.     | British Virgin Islands | Investment                                 | 158,592                       | 158,592                       | 25,500                  | 100.00 | 216,018                 | (1,934)                           | (3,392)                  | Subsidiary          |
|                            | Dai Hong Development Co., Ltd. | Hsinchu, Taiwan        | Investment                                 | 6,000                         | 6,000                         | 600,000                 | 100.00 | 3,150                   | (94)                              | (94)                     | Subsidiary          |
|                            | CHINA GLAZE MALAYSIA SDN. BHD. | Malaysia               | Import and export business                 | 7,493                         | 7,493                         | 1,000,000               | 100.00 | 6,732                   | 1,183                             | 1,183                    | Subsidiary          |
| DRAGON LUCK HOLDING LTD.   | PROSPERITY ENTERPRISE INC.     | Samoa                  | Investment                                 | 392,960<br>(US\$ 12,800)      | 392,960<br>(US\$ 12,800)      | 12,800,000              | 100.00 | 187,485<br>(US\$ 6,107) | (30)<br>(US\$ -1)                 | 89<br>(US\$ 3)           | Subsidiary          |
|                            | PT. CERAPATH TRADING INDONESIA | Indonesia              | Import and export business                 | 30,669<br>(US\$ 999)          | -<br>(US\$ -)                 | 999,000                 | 99.90  | 27,477<br>(US\$ 895)    | (626)<br>(US\$ -21)               | (626)<br>(US\$ -21)      | Subsidiary          |
|                            |                                |                        |                                            |                               |                               |                         |        |                         |                                   |                          |                     |
| PROSPERITY ENTERPRISE INC. | PT China Glaze Indonesia       | Indonesia              | Manufacturing and selling of ceramic glaze | 392,346<br>(US\$ 12,780)      | 392,346<br>(US\$ 12,780)      | 127,795                 | 99.84  | 170,416<br>(US\$ 5,551) | (30)<br>(US\$ -1)                 | (30)<br>(US\$ -1)        | Subsidiary          |
| FOUR BROTHERS HOLDING LTD. | WILLMAX INVESTMENT LTD.        | Mauritius              | Investment                                 | 150,430<br>(US\$ 4,900)       | 150,430<br>(US\$ 4,900)       | 4,900,000               | 100.00 | 89,890<br>(US\$ 2,928)  | (8,432)<br>(US\$ -283)            | (8,432)<br>(US\$ -283)   | Subsidiary          |
|                            | CERATEK MATERIALS LTD.         | Seychelles             | Import and export business                 | 1,535<br>(US\$ 50)            | 1,535<br>(US\$ 50)            | 50,000                  | 100.00 | 114,910<br>(US\$ 3,743) | 7,062<br>(US\$ 237)               | 7,062<br>(US\$ 237)      | Subsidiary          |
|                            | TAITOP CHEMICAL LTD.           | Belize                 | Import and export business                 | 1,535<br>(US\$ 50)            | 1,535<br>(US\$ 50)            | 50,000                  | 100.00 | 14,245<br>(US\$ 464)    | 149<br>(US\$ 5)                   | 149<br>(US\$ 5)          | Subsidiary          |
|                            |                                |                        |                                            |                               |                               |                         |        |                         |                                   |                          |                     |
| WILLMAX INVESTMENT LTD.    | China Glaze Bangladesh Ltd.    | Bangladesh             | Manufacturing and selling of ceramic glaze | 110,605<br>(BDT 377,880)      | 110,605<br>(BDT 377,880)      | 3,778,774               | 99.38  | 87,829<br>(BDT 300,064) | (9,548)<br>(BDT -29,820)          | (9,548)<br>(BDT -29,635) | Subsidiary          |

Note 1: Wuan-Sun obtained approval for liquidation and dissolution in June 2020. The liquidation of Wuan-Sun was completed on March 24, 2022 after receiving the approval letter of the liquidation declaration by the court on March 11, 2022.

Note 2: Investment income or loss between investees, investments accounted for using the equity method and equity between investees have been eliminated in the consolidated financial statements.

Note 3: The table does not contain information on investments in mainland China. For the relevant information of investee companies in mainland China, refer to Table 6.

Note 4: The amounts were calculated at the foreign exchange rate: 1 U.S. dollar = 30.70 New Taiwan dollar and 1 Bangladesh Taka = 0.2927 New Taiwan dollar as of December 31, 2022.



**TABLE 6**

**CHINA GLAZE CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investee Company                      | Main Businesses and Products                            | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 | Net Income (Loss) of the Investee (Note 2) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2022 | Accumulated Repatriation of Investment Income as of December 31, 2022 |
|---------------------------------------|---------------------------------------------------------|-----------------|----------------------|-----------------------------------------------------------------------------------|---------------------|--------|-----------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------------|---------------------------------|-----------------------------------------|-----------------------------------------------------------------------|
|                                       |                                                         |                 |                      |                                                                                   | Outward             | Inward |                                                                                   |                                            |                                              |                                 |                                         |                                                                       |
| Guangdong Sanshui T&H Glaze Co., Ltd. | Manufacturing and selling of ceramic glaze and pigments | RMB 152,254     | Note 1(b)            | \$ 361,491                                                                        | \$ -                | \$ -   | \$ 361,491                                                                        | \$ (37,126)<br>(US\$ -1,246)               | 60.00                                        | \$ (22,109)<br>(US\$ -742)      | \$ 392,991<br>(US\$ 12,801)             | \$ 381,242                                                            |
| Shanghai T&H Glaze Co., Ltd.          | Manufacturing and selling of ceramic glaze              | RMB 82,792      | Note 1(b)            | 102,171                                                                           | -                   | -      | 102,171                                                                           | 4,231<br>(US\$ 142)                        | 60.00                                        | 2,682<br>(US\$ 90)              | 189,450<br>(US\$ 6,171)                 | -                                                                     |
| Shandong T&H Glaze Co., Ltd.          | Manufacturing and selling of ceramic glaze              | RMB 59,710      | Note 1(b)            | -                                                                                 | -                   | -      | -                                                                                 | (26,578)<br>(US\$ -892)                    | 60.00                                        | (15,732)<br>(US\$ -528)         | 117,919<br>(US\$ 3,841)                 | -                                                                     |
| Shanghai Dunhong Industrial Co., Ltd. | Import and export business                              | RMB 6,037       | Note 1(b)            | -                                                                                 | -                   | -      | -                                                                                 | 1,609<br>(US\$ 54)                         | 60.00                                        | 1,013<br>(US\$ 34)              | (3,684)<br>(US\$ -120)                  | -                                                                     |

| Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022 | Investment Amount Authorized by the Investment Commission, MOEA (Note 5) | Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA |
|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| \$ 463,662                                                                               | \$ 870,214<br>(US\$ 28,346)                                              | \$ 1,770,778                                                                           |

- Note 1: There are three types of investment method that should be stated in the number column, and the number is determined as follows:
- a. Investment in mainland China by remittance through a third region.
  - b. Investment in mainland China through a company invested and established in a third region (C.G.C).
  - c. Other methods.
- Note 2: The amounts were calculated on the basis of the financial statements audited by Certified Public Accountants and the Company’s shareholding percentage, with the difference resulting from downstream, upstream and sidestream transactions which create unrealized gross profit.
- Note 3: The relevant amounts in this table are presented in New Taiwan dollars.
- Note 4: Investment income or loss between investees, investments accounted for using the equity method and equity between investees have been eliminated in the consolidated financial statements.
- Note 5: The amounts were calculated at the foreign exchange rate: 1 U.S. dollar = 30.70 New Taiwan dollar as of December 31, 2022.

**TABLE 7****CHINA GLAZE CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2022**

| Name of Major Shareholder | Shares           |                             |
|---------------------------|------------------|-----------------------------|
|                           | Number of Shares | Percentage of Ownership (%) |
| HSIEN-LUNG TSAI           | 9,197,178        | 5.50                        |

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.