

Stock Code : 4722



Qualipoly Chemical Corp.

Annual Report 2022

Printed on May, 2023

Taiwan Stock Exchange Market Observation Post System: <http://newmops.tse.com.tw>
Qualipoly Chemical Corp. : <http://www.qualipoly.com.tw>

1. Spokesperson's name, title and contact information:

Spokesperson: Ho Yin Tang
Title: Financial Senior Manager
Acting spokesperson: Tasi Chih Hsiang
Title: Deputy General Manager
TEL: (07) 623-6199
E-mail : facc@qualipoly.com.tw

2. Headquarter, Branches and Plant :

Headquarter : Qualipoly Chemical Corp.
TEL : (07) 623-6199
Yongan Plant : No.2, Yeog Gong 5th Rd., Yeong An Dist.,
Kaohsiung City 828, Taiwan
TEL : (07) 623-6199
Branch : N/A

3. Stock Transfer Agent :

Company Name : Hua Nan Securities
Address : 4F, No.54, Sec.4, Minsheng E. Rd., Songshan Dist.,
Taipei City 105, Taiwan
Website : <http://www.entrust.com.tw>
TEL : (02) 271-86425

4. Auditor :

Company Name : PwC Taiwan
Name of CPAs : Tien Chung Yu, Yeh Fang Ting
Address : 12F, No.395, Sec.1, Linsen Rd., East Dist.,
Tainan 701, Taiwan
Website : <http://www.pwc.tw>
TEL : (06) 234-3111

5. The names of the trading venues for the listing and trading of overseas securities and the methods to inquire about the information of these overseas securities : N/A °

6. Corporate Website : <http://www.qualipoly.com.tw>

Contents

Page

I. Letter to Shareholders.....	1
II. Company Profile.....	5
III. Corporate Governance Report	
3.1 Organization.....	7
3.2 Directors, Supervisors, General Manager, Deputy General Manager, Senior manager, Departments and Branches Officer Information.....	9
3.3 Last Remuneration to Directors, Supervisors, General Manager, Deputy General Manager.....	18
3.4 Corporate Governance Status	23
3.5 Information on the professional fees of the CPAs.....	45
3.6 Information on replacement of certified public accountant.....	46
3.7 Where the Company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise.....	47
3.8 Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.....	47
3.9 Relationship information of the Company's 10 largest shareholders	48
3.10 The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company.....	49
IV. Capital Overview	
4.1 Capital and Shares.....	50
4.2 Corporate Bonds.....	54
4.3 Preferred Shares.....	54
4.4 Overseas Depositary Receipts.....	54
4.5 Employee Stock Options.....	55
4.6 Status of Employee Restricted Stock.....	55
4.7 Issuance of New Shares for Acquisition or Exchange of Other Companies' Shares.....	55
4.8 Financing Plans and Implementation.....	55
V. Operational Highlights	
5.1 Business Activities.....	56
5.2 Market and Sales Overview.....	63
5.3 Employee Information for the Past Two Years and as of the Publication of the Annual Report.....	70
5.4 Environmental Protection Expenditure.....	71
5.5 Labor Relations.....	72
5.6 Cyber Security Management.....	74
5.7 Important Contracts.....	76
VI. Financial Information	
6.1 Five-Year Financial Summary.....	77
6.2 Five-Year Financial Analysis.....	81
6.3 Supervisors' or Audit Committee's Review Report in the Most Recent Year.....	86
6.4 Consolidated Financial Statements and Independent Auditors' Report.....	86
6.5 Parent Company Only Financial Statements and Independent Auditors' Report...	86

6.6 If the Company and Its Affiliates Encounter Any Financial Difficulties in the Past Year and as of the Date of Publication of the Annual Report, the Impact on the Company's Financial Status Shall Be Listed.....	86
VII. Review and Analysis of Financial Status and Business Results and Risk Issues	
7.1 Financial Status.....	87
7.2 Financial Performance.....	88
7.3 Cash Flow.....	88
7.4 Impact of Major Capital Expenditure in the Past Year on the Financial Status.....	90
7.5 Re-investment Policy in the Past Year, the Main Reason for Its Profit or Loss, the Improvement Plan and Investment Plan in the Next Year.....	91
7.6 Analysis and Assessment of Risk Issues in the Past Year and as of the Date of Publication of the Annual Report.....	91
7.7 Other Import Matters.....	93
VIII. Special Notes	
8.1 Information about the Company's Affiliates.....	94
8.2 Private Securities in the Past Year and as of the Date of Publication of the Annual Report.....	97
8.3 Holding or Disposal of the Company's Shares by Affiliates in the Past Year and as of the Date of Publication of the Annual Report.....	97
8.4 Other Necessary Supplementary Notes.....	97
8.5 Matters in the Past Year and as of the Date of Publication of the Annual Report Which Have a Substantial Impact on Owner's Equity as Stipulated in Item 2, Paragraph 3 of Article 36 of the Securities Exchange Law.....	97
IX. Other Disclosure	
9.1 The Evaluation Criteria and Basis for the Provision Method of Asset and Liability Accounts	98
9.2 Risk Management Organization and Responsible Unit.....	106
9.3 Other Necessary Supplementary Notes.....	106
Appendix I: 2022 Consolidated Financial Statements.....	107
Appendix II: 2022 Individual Financial Reports.....	184

1. Letter to Shareholders

Dear Shareholders,

Since the outbreak of the epidemic in early 2020, it has been 3 years. 2022 is the year of the epidemic's major outbreak. According to official data, the confirmed cases has jumped from 280 million in 2021 to 730 million. The death toll has reached 6.7 million. The severity of the epidemic is unprecedented! During this period, all countries have done their best to get vaccinated, and Taiwan is no exception. However, by the end of 2022, there are still around 20,000 new confirmed cases every day, which is truly a tragic situation!

At the beginning of the year, although the border restrictions of various countries have been slightly relaxed, but the risk of infection has not decreased, and China still adopted strict control. Although there has been some relief in port congestion, shipping costs still remain high. At this time, the Russia-Ukraine war broke out, all thought it would be a short-term conflict initially, but it turned out to be endless. The severe imbalance of energy and food resources has triggered already high inflation rates. The Company's UV products have shown impressive performance amidst this turmoil, both in terms of quantity and price, but the traditional resin industry is still struggling in the stagnant environment of last year.

The Fed was shocked by the severity of inflation and has been aggressively raising interest rates since March. Other countries have followed it which resulting in a global rise in interest rates aimed at lowering inflation, but greatly hindering economic vitality. In July and August, the prosperity of the first half had disappeared. Due to stagnant demand, upstream and downstream manufacturers not only faced difficulties in dealing with inventory, but also suffered significant losses from price drops. The situation has not improved until the end of the year, and therefore, the operating performance has been severely impacted.

In the midst of the chaotic and ambiguous economic environment, the way to respond still requires a good internal management. To address supply-demand imbalances, it is necessary to strengthen sales, reduce inventory, and strictly control credit risks. To enhance competitiveness, it is necessary to accelerate the development of special projects in the areas of low-carbon and environmentally-friendly resin, recycling, electronic chemistry, UV special materials, 3D printing, and others.

The domestic epidemic policies in 2022 have gradually relaxed control due to the widespread vaccination. On January 8, 2023, China suddenly lifted the quarantine requirement for inbound travelers, which was originally aimed at "dynamic zero-COVID" policy, and also lifted domestic restrictions which surprising the world with its unpredictability! If the Russo-Ukrainian war could also come to an abrupt end dramatically, it would be the biggest positive development in 2023. How much we look forward to it!

Here are the business highlights for 2022

1.1 Operating Performance in 2022

1) Achievements in the implementation of the business plan

The consolidated revenue in 2022 was NT\$ 4,224,680,000, a decrease of 12.54% compared to 2021. The operating net profit was NT\$ 328,791,000, the net profit pre-tax was NT\$401,366,000, and net profit after tax was NT\$ 315,043,000, with an earnings per share of NT\$3.15.

2) Budget implementation

The consolidated sales volume budget in 2022 was 58,539 metric tons, and the actual consolidated sales volume was 42,268 metric tons, budget achieving rate was 72%.

3) Consolidated financial results

Unit: NT\$ millions

	2022	2021	Percent Change (%)
Operating Revenue	4,224.680	4,830.426	(12.54)
Operating Costs	3,462.414	3,824.508	(9.47)
Operating Margin	762.266	1,005.918	(24.22)
Operating Expenses	433.475	537.817	(19.40)
Operating Net Profit	328.791	468.101	(29.76)
Non-Operating Income and Expenses	72.575	14.762	391.63
Net Profit Pre-Tax	401.366	482.863	(16.88)
Net Profit After Tax	315.043	367.807	(14.35)
Interest Coverage Ratio (times)	34.24	95.00	(63.96)
Return on Assets (%)	7.08	9.41	(24.76)
Return on Owner's Equity (%)	11.08	13.82	(19.83)
Ratio of Operating Income to Paid-up Capital (%)	32.88	46.81	(29.76)
Ratio of Pre-tax net Profit to Paid-up Capital (%)	40.13	48.28	(16.88)
Net Profit Ratio (%)	7.46	7.61	(1.97)
Earnings per Share (NT\$)	3.15	3.73	(15.55)

4) Research and Development

Our R&D strategy not only continuously expand our existing product but also seek out forward-looking product development in other areas of resin application. Additionally, we aim to strategically position ourselves in the long-term technological developments of the industry.

- A. In the existing product field, we focus on customer-oriented research and development of products that are highly functional, cost-effective, and easy to operate. This would be to enhance our customers' competitiveness and achieve mutual growth.
- B. For high-value strategic products, we will increase our technical service manpower, expand the scope of application, and broaden our customer base. This would be to improve the product value and market application.
- C. We will collaborate with relevant industry partners to develop electronic application products and accelerate the product transformation time.
- D. We will implement the manufacturing process improvement plan to improve production efficiency and reduce waste emissions to fulfill our corporate social responsibility.
- E. To address social concerns such as net-zero carbon emissions, we have established a task force to collect relevant information and present reports. Issues such as biomass materials, green energy, and circular economy are identified as key focuses of our medium- to long-term technology development plans.
- F. We will collaborate with renowned academic institutions to develop a new generation of specialty resins, with a focus on the industries of electronic materials and composite materials.
- G. We will strengthen the talent, technology, resources, and management of quality assurance department and consolidate our handling of chemical regulations. This is to meet the increasing demand for high-value transformation and the increasingly stringent regulations of various countries.

1.2 Overview of Business Plan in 2022

1. Business objectives

- 1) We adhere to the fundamental principles of professionalism, integrity, and innovation, establish our values, and shape into enterprise culture. We also carry out the service attitude of quality first and customers foremost.
- 2) We will enhance our R&D capabilities and make good use of external R&D resources to increase our development capacity to produce cutting-edge and high-functioning products.
- 3) We will seek opportunities for "cross-industry cooperation and win-win market" to expand our market area, increase interdisciplinary capabilities, and accumulate transformational energy.
- 4) We will look for the partners in Southeast Asia or make the most of our factories in China to reap the

benefits of the ASEAN.

- 5) We stick to the customer-oriented service, strengthen the connections and interactions with customers, maintain market sensitivity, innovate products to meet customer needs, and grow together with our customers.
- 6) Replicate successful overseas sales cases and explore new sales areas.
- 7) Face on the major trends of "environmental demands", "alternative energy", and "circular economy", we innovate "green products".
- 8) Enhance the sales of high value-added products, particularly focusing on products with functional and environmental benefits.
- 9) China has already emphasized on environmental regulations and implemented "dual control of energy consumption". But the uncertain policies have increased risks and significantly raised production and operating costs. Therefore, it is necessary to control low-priced orders and promote high-value and high-tech products.

2. Sales forecast and sales policy

The expected merged sales volume is approximately 53,868 metric tons, which is the most suitable estimate based on market conditions.

3. Production and Marketing Policies

(1) Production Policies

- A. Implement lean management to improve productivity; eliminate waste and reduce production costs.
- B. Strengthen the refinement of manufacturing process of the UV curable resin to improve productivity and enhance competitiveness.
- C. Continuously reviewing waste reduction and increasing the percentage of in-house recycling and reuse.
- D. Use information management system and adopt automatic control devices to achieve process stability and reliable and precise quality.
- E. Strengthen education and training, enhance human resource quality, and improve corporate culture; cultivate cross-functional staff and maximum the human resources.
- F. Adhere to the spirit of ISO 9001 international quality certification, continuously improve and strive for excellence.
- G. Implement the spirit of ISO 14001 and ISO 45001, actively push forward energy conservation policies, strictly abide by laws and regulations, reduce pollution, control risks, and build a safe, healthy, and friendly working places and production conditions.

(2) Sales Policies

- A. Adhere to customer-oriented service, strengthen the connection and interaction with customers, maintain market sensitivity, innovate products that meet customer needs, and grow together with customers.
- B. Replicate successful overseas sales cases and explore new sales areas.
- C. Face on the major trends of "environmental demands", "alternative energy", and "circular economy", we innovate "green products".
- D. Enhance the sales of high value-added products, particularly focusing on products with functional and environmental benefits.
- E. China has already emphasized on environmental regulations and implemented "dual control of energy consumption". But the uncertain policies have increased risks and significantly raised production and operating costs. Therefore, it is necessary to control low-priced orders and promote high-value and high-tech products.

1.3 The Company's future Development Strategy, and the Effect of the External Competition, the Legal Environment, and the Overall Business Environment

1. In the future, the trend of paint regulations is towards products with low solvents, high solid ingredients, benzene free and styrene monomer free. Even the customers are demanding to low-carbon, environmental friendly and using recycle materials. Therefore, we will actively develop such products to gain a market

advantage.

2. The Company's main product is UV curable resin, which meets the characteristics of energy-saving and environmental friendly concepts and has become mainstream. We need to take its advantages to continue developing more extensive applications and expanding continuously the company's business share to create profits.
3. The ratio of export has reached 75% and the company is the same industries around the world. Therefore, if Taiwan accelerates to sign of free trade agreements with major export countries, it will enhance the company's competitiveness which significantly impact on us.
4. Products exported to Europe (EU) must register REACH. The company's main UV curable resins have already completed the registration, which will be a threshold relative to other competitors.
5. We have registered K-REACH in response to market demand which is advantageous for sales promotion in Korea.

Sincerely yours,

Chairman Tsai, Yeou-Liang
General Manager Wang, Hai-Cheng

II. Company Profile

1. Date of Incorporation: Nov. 25, 1978

2. Company History

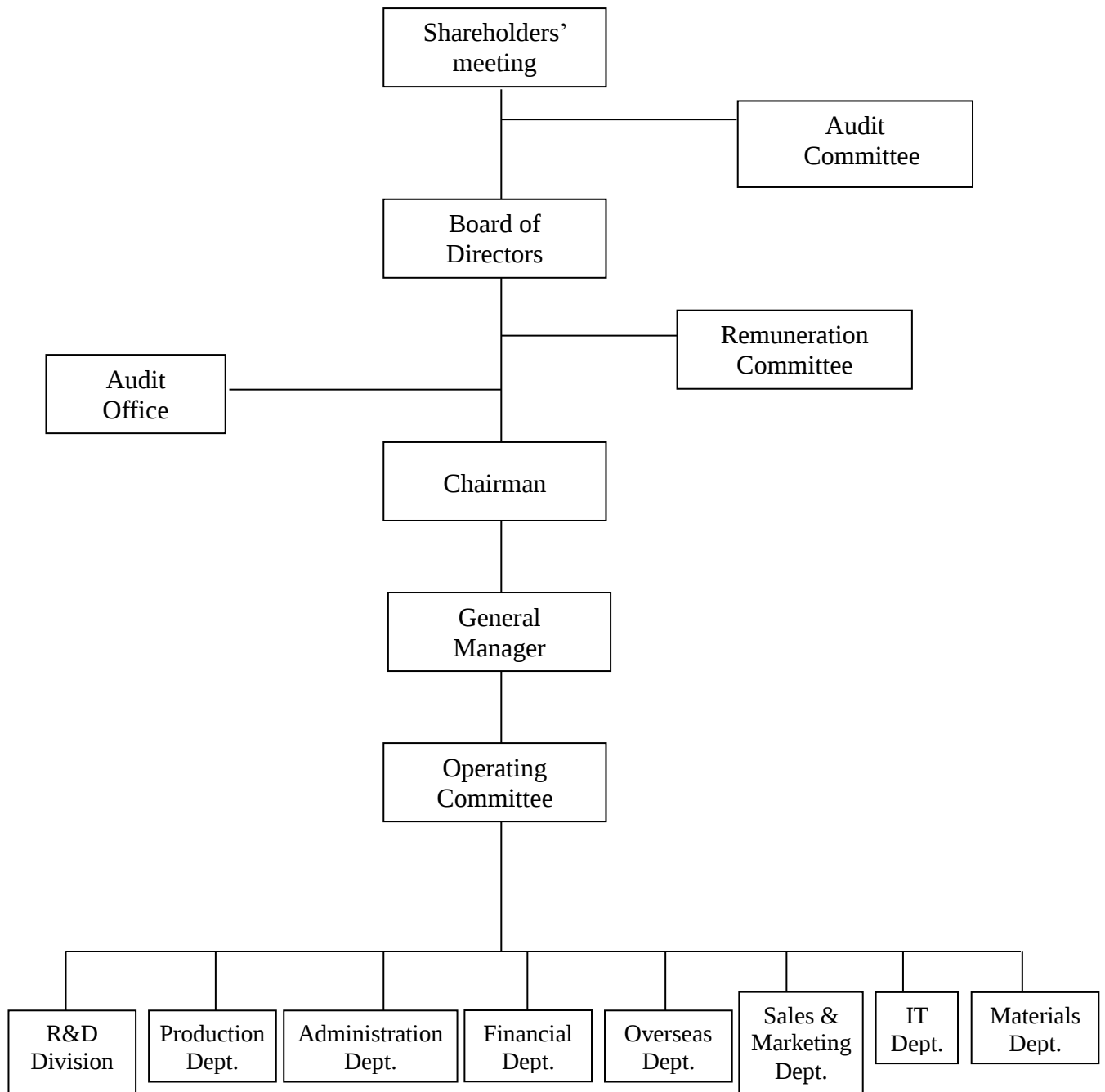
- 1978 Qualipoly Chemical Corporation was established in Kaohsiung, Taiwan.
- 1983 Licensing agreement with AB Syntes, Sweden (later acquired by Neste, Finland) to manufacture Unsaturated Polyester Resins of low emission.
- 1985 Vessel Resins was approved and certificated by China Classification Society, CCS and by Korean Register of Shipping, KR.
- 1987 Vessel Resins was approved and certificated by Lloyd's Register, LR.
Licensing agreement with Ashland, USA to manufacture Unsaturated Polyester Resins.
Licensing agreement with SOAB, Sweden to manufacture Alkyd Resins and Amino Resins.
- 1988 Vessel Resins was approved and certificated by Det Norske Veritas, DNV.
- 1992 Licensing agreement with Ashland, USA to manufacture Foundry Resin
- 1993 Licensing agreement with Becker, Sweden to manufacture Polyester Resins for coating
- 1995 Acquiring ISO 9002 quality assurance by L.R.Q.A.
- 1999 Licensing agreement with Ashland, USA to manufacture Potty Resin for vehicle repair
- 2001 Established "International Qualipoly Co., Ltd." in Samoa.
Securities listed on GreTai Securities Market
- 2002 Vessel Resins was approved and certificated by Sweden DNV.
Invested "Jiangmen Jiangying Chemical Co., Ltd "in China.
Relocation to Yong An Industrial Park.
- 2003 Acquiring ISO 9001 quality assurance by L.R.Q.A.
Established "ChaoJian Investment Corporation Limited". In Samoa.
- 2004 Commercialized Moisture Curing Resins.
Jiangmen Jiangying Chemical Co., Ltd. started mass production,
The Unsaturated Polyester Resins of Iso-type and Vinyl ester-type were approved by Det Norske Veritas, DNV for vessels
- 2005 Commercialized Curable Materials.
- 2006 Acquire 52% of the equity of Jiangmen Jiangying Chemical Co., Ltd. and become a wholly-owned subsidiary with 100% ownership
- 2007 Signed a cooperation agreement for the development, production, and sales of UV curable products with Dutch IGM Group
The Unsaturated Polyester Resin QL7241 acquired
- 2009 Acquiring ISO 14001 and OHSAS 18001 certifies by L.R.Q.A.
- 2010 Start construction of a new plant for UV curable materials.
Registered the QualiCure as Trademark for UV Curable Materials
- 2011 The second plant for UV curable materials has been completed and was in mass production.
- 2012 Securities listed on Taiwan Stock Exchanges.
- 2013 UV Curable Materials were registered in EU under Regulation (EC) No 1907/2006 (REACH)
- 2014 Developed and marketed the UV curable materials for white solder mask and FPC
- 2015 Established overseas subsidiary Qualipoly Technology (Kun Shan) Corp. in Shanghai, China.
- 2016 Commercialized fine chemicals for application in energy industry.
- 2017 Established the R&D center to undertake sophisticated and innovative projects.
- 2018 Certificated ISO 9001, ISO 14001:2015 reversion by L.R.Q.A.

- Established Qualipoly Technology (Kun Shan) Corp. in Shanghai, China.
Established Dongguan Chao you New Material Co., Ltd in Dongguan, China
- 2019 Set up Qualipoly bonded warehouse.
- 2020 Certificated ISO 45001:2018 reversion by L.R.Q.A
- 2021 Completed the purchase of industrial land in Tainan Technology Industrial Park and has used as Tainan plant site.
Successfully developed and completed mass production of the specialty chemical resin Styrene Maleic Anhydride.
- 2022 Groundbreaking of Anna Plant in Tainan Technology Industrial Park
Invested in Electroninks, a precision electronic materials company in the United States.
Established a net-zero carbon emissions team and released a net-zero carbon emissions declaration.

III. Corporate Governance Report

3.1 Organization

3.1.1. Organizational Chart



3.1.2. Major Corporate Functions

Department	Functions
Remuneration Committee	1. Manage and supervise the operation of various related matters in accordance with General Manager's instructions. 2. Planning and execution of short-term and long-term operational goals and project tasks. 3. Responsible for the operation of quality assurance and environmental health and safety systems. 4. Execution of human resource planning and payroll cycles.
Audit Office	Review and evaluate the internal control system, establish and revise internal audit systems, and regularly audit the operation of various management systems and report.
IT Dept.	Responsible for the planning and maintenance of computer software and hardware.
R&D Division	1. Responsible for the development and mass production of new products. 2. To establish inspection specifications for raw materials and finished products, and to determine whether they meet the criteria for quality assurance. 3. Establish process standards and assist production dept. in process improvement. 4. Apply for product certification.
Production Dept.	1. Planning and execution of product manufacturing, and design planning for production equipment and engineering. 2. Maintenance of factory safety and environmental protection. 3. Enhancement of productivity and design planning of equipment, as well as maintenance, repair and improvement of each machinery and equipment. 4. Analysis and handling of abnormal quality and customer complaints.
Overseas Dept.	1. Responsible for developing foreign markets and sales. 2. Signing, execution, and performance evaluation of foreign cooperation projects.
Sales & Marketing Dept.	1. Responsible for bidding, order review, account receivable collection, and assisting in special projects designated by the chairman 2. Responsible for domestic sales, developing domestic markets, and foreign business extended from domestic customers.
Administration Dept	1. Undertake the incoming and outgoing documents. 2. Keep each contract, certificate, membership information and document. 3. Manage external public relations affairs and general affairs that do not belong to other departments. 4. Manage vehicles and personnel entering and leaving the factory.
Material Dept.	1. Raw material receiving & dispatching, inventory control, and warehouse management. 2. Finished goods delivery, return and inventory management 3. Execution of stuffing and unstuffing all import and export containers. 4. Management of storage tanks inside and outside the factory.
Finance Dept.	Responsible for all accounting-related matters including bookkeeping, cost accounting, taxation, stock affairs, fund scheduling, and business management.

3.2 Directors, Supervisors, General Manager, Deputy General Manager, Senior manager, Departments and Branches Officer Information
3.2.1 Directors and Supervisors information (1)

Date: Apr.01, 2023 Unit: share, %

Job title	Nationality	Name	Gender Age	Date of appointment to position	Term of office	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Remarks
							No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			No. of shares	Shareholding ratio	Job title	
Chairman	R.O.C.	Tsai Yeou Liang	Male (81~90 years old)	Jun.10, 2020	3	Nov. 20, 1978	3,858,633	3.86%	3,858,633	3.86%	1,000,530	1.00%	0	0.00%	Dept. of Chemistry, National Taiwan Normal University Deputy General manager in Etemal General Manager in Chinafrp	Chairman of the company Chairman of ChaoJian Investment Corporation Limited	No	No	No	
Director	R.O.C.	Gao Hong Rong	Male (70~80 years old)	Jun. 10, 2020	3	Feb. 26, 1982	940,728	0.94%	940,728	0.94%	79,138	0.08%	0	0.00%	National University of Tainan Operating Manager in Etemal Operating Manger of the company	No	No	No	No	
Director	R.O.C.	Wang Hai Cheng	Male (70~80 years old)	Jun. 10, 2020	3	Feb. 26, 1982	1,347,820	1.35%	1,347,820	1.35%	0	0.00%	0	0.00%	Dept. of Mechanical Engineering in National Taipei Institute of Technology Deputy General Manager of the company Production Manager of Chinafrp	General manager of the company	No	No	No	
Director	R.O.C.	Chiu Nu Chu	Female (70~80 years old)	Jun. 10, 2020	3	Jul. 1, 1991	1,476,300	1.48%	1,476,300	1.48%	76,234	0.08%	0	0.00%	MBA of National Su Yat-Sen University Dept. of Accountancy in National Cheng Kung University Deputy General Manager & Spokesperson of the company Financial Manager of Chinafrp	No	No	No	No	
Director	R.O.C.	ChaoJian Investment Corporation Limited	Not applicable	Jun. 10, 2020	3	Jun. 10, 2020	9,829,757	9.83%	9,759,757	9.76%	Not applicable	Not applicable	0	0.00%	Not applicable	Not applicable	NA	NA	NA	
		Rep.: Tsai Chih Hsiang	Male (41~50 years old)				38,024	0.04%	106,024	0.11%	0	0.00%	0	0.00%	PhD in Chemical Engineering in Iowa State University, USA Chairman Assistant of the company	Director of ChaoJian Investment Corporation Limited	No	No	No	
Director	R.O.C.	Hong Ren Investment Corporation Limited.	Not applicable	Jun. 10, 2020	3	Jun. 10, 2020	972,718	0.97%	972,718	0.97%	Not applicable	Not applicable	0	0.00%	Not applicable	Not applicable	NA	NA	NA	
		Rep.: Hsu Po Wei	Male (70~80 years old)				0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master in Chemical Engineering at USC, USA Chairman of Hua Nan Securities	No	No	No	No	
Independent Director	R.O.C.	Chung Feng Yuan	Male (41~50 years old)	Jun. 10, 2020	3	Jun. 10, 2020	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master in Dept Marketing at National Chiayi University Manger in Dept. of direct invest at GAINS Investment Corp.	Investor of Welldone Company General Manager of Wtenergy	No	No	No	
Independent Director	R.O.C.	Weng Cheng Cheng	Male (81~90 years old)	Jun. 10, 2020	3	May. 29, 2019	0	0.00%	0	0.00%	8,564	0.01%	0	0.00%	Administrative Junior College at National Chengchi University Grade B Special Examination for Accountant in 1973 Audit officer and director of Audit Dept. Transportation Construction and Kaohsiung Audit office in National Audit Office	No	No	No	No	
Independent Director	R.O.C.	Chen Chi Lin	Male (41~50 years old)	Jun. 10, 2020	3	Jun. 10, 2020	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD in Chemistry at National Taiwan University Deputy Manager of R&D of Magic Amah	General manager of Anjietek	No	No	No	

3.2.1.1 Major shareholders of the corporate shareholders

Apr.10, 2023

Name of corporate shareholder	Major shareholders of the corporate shareholder
ChaoJian Investment Corporation Limited. Rep. Tsai Chih Hsiang	Tsai Yeou Liang (19.7%)、Wang Hai Cheng (12.5%)、Chiu Nu Chu (12.5%)、Tsai Kun Ta (10%)、Tsai I Chen (10%)、Tang Yu Sung (9.2%)、Chu Ching Yu (8.3%)、Tsai Chih Hsiang (7%)、Tsai Hsing Yun (6.7%)、Tsai Hsiao Hao (4.1%)
Hong Ren Investment Corporation Limited. Rep. Hsu Po Wei	Mao Tong Investment Corporation Limited (100%)

3.2.1.2 Major shareholders of the Company's major corporate shareholders

Apr.10, 2023

Name of corporate shareholder	Major shareholders of the corporate shareholder
Mao Tong Investment Corporation Limited	Hsu Yuan Chen (98%) Hsu Chen An Lan (2%)

3.2.1 Information of Directors and Supervisors (2)

Information on the Directors and Supervisors Independence

Qualification Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Tsai Yeou Liang	More than 5-year work experience. Previously served as deputy general manager in Etemal and General Manager in Chinafrp. Currently serving as chairman in the company. No circumstances as defined in Article 30 of the Company Act.	(1) Not related as spouse or within second-degree of kinship with any other directors. (2) Not elected as a representative of government, legal entity, or its representative as defined in Article 27 of the Company Act.	No
Gao Hong Rong	More than 5-year work experience. Previously served as operating manager in Etemal. Currently serving as operating manager in the company. No circumstances as defined in Article 30 of the Company Act.	(1) Not an employee of this company or any of its affiliated enterprises. (2) Not related as spouse or within second-degree of kinship with any other directors. (3) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the company, one of the top five shareholders, or a representative appointed as a director or supervisor under Article 27, Paragraph 1 or 2 of the Company Act. (4) Not a director, supervisor, or employee of another company whose director, supervisor, or employee controls over half of the voting rights or board seats of this company. (5) Not a director, supervisor, or employee of another company or institution whose chairman, general manager, or equivalent position is the same person as the chairman, general manager, or equivalent position of this company, or is the spouse of such person. (6) Not a director, supervisor, or manager of a specific company or institution that has financial or business dealings with this company, or a shareholder holding more than 5% of the shares of such company or institution. (7) Not a professional, sole proprietorship, partnership, company or organization that provides business, legal, financial, accounting or other related services, or the owner, partner, director, supervisor, manager and their spouse, who has provided auditing or received remuneration from the company or its affiliated enterprises for such services within the past two years.	No

Qualification Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Wang Hai Cheng	More than 5-year work experience. Previously served as deputy General Manager in the company and production manager in Chinafrp. Currently serving as General Manager in the company. No circumstances as defined in Article 30 of the Company Act.	(1) Not related as spouse or within second-degree of kinship with any other directors. (2) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the company, one of the top five shareholders, or a representative appointed as a director or supervisor under Article 27, Paragraph 1 or 2 of the Company Act. (3) Not a director, supervisor, or employee of another company whose director, supervisor, or employee controls over half of the voting rights or board seats of this company. (4) Not a director, supervisor, or manager of a specific company or institution that has financial or business dealings with this company, or a shareholder holding more than 5% of the shares of such company or institution. (5) Not a professional, sole proprietorship, partnership, company or organization that provides business, legal, financial, accounting or other related services, or the owner, partner, director, supervisor, manager and their spouse, who has provided auditing or received remuneration from the company or its affiliated enterprises for such services within the past two years.	No

Qualification Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Chiu Nu Chu	More than 5-year work experience. Previously served as Financial Manager in Chinafrp and Financial Manager and Deputy general manager & spokesperson in the company. No circumstances as defined in Article 30 of the Company Act.	(1) Not an employee of this company or any of its affiliated enterprises. (2) Not related as spouse or within second-degree of kinship with any other directors. (3) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the company, one of the top five shareholders, or a representative appointed as a director or supervisor under Article 27, Paragraph 1 or 2 of the Company Act. (4) Not a director, supervisor, or employee of another company whose director, supervisor, or employee controls over half of the voting rights or board seats of this company. (5) Not a director, supervisor, or employee of another company or institution whose chairman, general manager, or equivalent position is the same person as the chairman, general manager, or equivalent position of this company, or is the spouse of such person. (6) Not a director, supervisor, or manager of a specific company or institution that has financial or business dealings with this company, or a shareholder holding more than 5% of the shares of such company or institution. (7) Not a professional, sole proprietorship, partnership, company or organization that provides business, legal, financial, accounting or other related services, or the owner, partner, director, supervisor, manager and their spouse, who has provided auditing or received remuneration from the company or its affiliated enterprises for such services within the past two years.	No
ChaoJian Investment Corporation Limited. Rep.: Tsai Chih Hsiang	More than 5-year work experience. Previously served as chairman assistant in the company. Currently served as Executive Deputy General Manager. No circumstances as defined in Article 30 of the Company Act.	(1) Not a director or supervisor of the Company or any of its affiliated enterprises. (2) Neither the individual nor their spouse, minor children, or natural person shareholders holding 1% or more of the total issued shares of the Company or among the top ten shareholders under another person's name. (3) Not related as spouse or within second-degree of kinship with any other directors (4) Not a director, supervisor, executive, or shareholder holding 5% or more of shares of any specific company or organization that has financial or business transactions with the Company. (5) Not a professional, sole proprietorship, partnership, company or organization that provides business, legal, financial, accounting or other related services, or the owner, partner, director, supervisor, manager and their spouse, who has provided auditing or received remuneration from the company or its affiliated enterprises for such services within the past two years.	No

Qualification Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Hong Ren Investment Corporation Limited. Rep.: Hsu Po Wei	More than 5-year work experience. Previously served as Chairman, General Manager and CEO in Hua Nan Securities. No circumstances as defined in Article 30 of the Company Act.	(1) Not an employee of the Company or its related companies. (2) Not a director or supervisor of the Company or any of its affiliated enterprises. (3) Neither the person nor their spouse, minor children, or any natural person shareholder holding more than 1% of the total issued shares of the Company or within the top ten shareholders. (4) Excluding the executives listed above (1) and the spouses, first-degree relatives within the second degree of kinship or third-degree relatives within the direct line of consanguinity of the personnel listed above (2) and (3). (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the company, one of the top five shareholders, or a representative appointed as a director or supervisor under Article 27, Paragraph 1 or 2 of the Company Act. (6) Not a director, supervisor, or employee of another company whose director, supervisor, or employee controls over half of the voting rights or board seats of this company. (7) Not a director, supervisor, or employee of another company or institution whose chairman, general manager, or equivalent position is the same person as the chairman, general manager, or equivalent position of this company, or is the spouse of such person. (8) Not a director, supervisor, or manager of a specific company or institution that has financial or business dealings with this company, or a shareholder holding more than 5% of the shares of such company or institution. (9) Not a professional, sole proprietorship, partnership, company or organization that provides business, legal, financial, accounting or other related services, or the owner, partner, director, supervisor, manager and their spouse, who has provided auditing or received remuneration from the company or its affiliated enterprises for such services within the past two years.	No
Chung Feng Yuan (Note1)	More than 5-year work experience. Previously served as Manager at Dept. of direct investment in GAINS Investment Corp. Currently served as Investor in Welldone Company and General Manager in Wtenergy. No circumstances as defined in Article 30 of the Company Act.	(1) Not an employee of the Company or its related companies. (2) Not a director or supervisor of the Company or any of its affiliated enterprises. (3) Neither the person nor their spouse, minor children, or any natural person shareholder holding more than 1% of the total issued shares of the Company or within the top ten shareholders. (4) Excluding the executives listed above (1) and the spouses,	No

Qualification Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Weng Cheng Cheng (Note1)	More than 5-year work experience. Previously served as Audit officer and director of Audit Dept. Transportation Construction and Kaohsiung Audit office in National Audit Office No circumstances as defined in Article 30 of the Company Act.	first-degree relatives within the second degree of kinship or third-degree relatives within the direct line of consanguinity of the personnel listed above (2) and (3). (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the company, one of the top five shareholders, or a representative appointed as a director or supervisor under Article 27, Paragraph 1 or 2 of the Company Act.	No
Chen Chi Lin (Note1)	More than 5-year work experience. Previously served as Deputy Manager of R&D in Magic Amah. Currently served as General Manager in Anjietek. No circumstances as defined in Article 30 of the Company Act.	(6) Not a director, supervisor, or employee of another company whose director, supervisor, or employee controls over half of the voting rights or board seats of this company. (7) Not a director, supervisor, or employee of another company or institution whose chairman, general manager, or equivalent position is the same person as the chairman, general manager, or equivalent position of this company, or is the spouse of such person. (8) Not a director, supervisor, or manager of a specific company or institution that has financial or business dealings with this company, or a shareholder holding more than 5% of the shares of such company or institution. (9) Not a professional, sole proprietorship, partnership, company or organization that provides business, legal, financial, accounting or other related services, or the owner, partner, director, supervisor, manager and their spouse, who has provided auditing or received remuneration from the company or its affiliated enterprises for such services within the past two years. (10) No government, legal person, or their representatives have been elected as specified in Article 27 of the Company Act.	No

Note 1: Chung Feng Yuan, Weng Cheng Cheng, Chen Chi Lin are the members of the Independent Directors, Remuneration Committee, and Audit Committee of the company.

3.2.2 Board Diversity and Independence

(1) Board Diversity :

The company has established a policy for board diversity as outlined in the "Corporate Governance Best Practice Principles", including but not limited to the following two aspects :

A. Basic criteria and values: gender, age, nationality, and culture, etc.

B. Professional knowledge and skills: professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and experience, etc.

The current board of directors consists of 9 members, and the specific goals and achievements of the board's diversity policy are as follows :

A. Goals and achievements :

Goals	Achievements
The board of directors must include at least one female member	Yes
Directors who also serve as managers of the company should not exceed 1/3 of the total number of directors	Yes
There should not be more than 2 directors who have a spousal relationship or a relative within the second degree of kinship among them.	Yes
Independent directors may not serve for more than 3 terms	Yes

B. The implementation of the diversity of the board of directors are as follows :

Diversity	Nationality	Gender	Composition								Professional qualifications and experience							
			Employee Status	Age				Terms of Independent Director			Operational Judgment	Financial Accounting	Business Management	Crisis Management	Industry Knowledge	International Outlook	Leadership decision-making	Legal Matters
				40 ~ 50 Years old	51 ~ 60 Years old	61 ~ 70 Years old	Above 70 Years old	Less than3 years	3~9 years	Less than9 years								
Name of directors																		
Tsai Yeou Liang	R.O.C.	Male					V				V		V	V	V	V	V	
Wang Hai Cheng	R.O.C.	Male	V				V				V		V	V	V	V	V	
Chiu Nu Chu	R.O.C.	Female					V				V	V	V	V	V	V	V	
Gao Hong Rong	R.O.C.	Male					V				V		V	V	V	V	V	
ChaoJian Investment Corporation Limited Rep. : Tasi Chih Hsiang	R.O.C.	Male	V	V							V		V	V	V	V	V	
Hong Ren Investment Corporation Limited Re p. : Hsu PoWei	R.O.C.	Male					V				V	V	V	V	V	V	V	
Chung Feng Yuan	R.O.C.	Male		V				V			V	V	V	V	V	V	V	
Weng Cheng Cheng	R.O.C.	Male					V	V			V	V		V	V	V	V	
Chen Chi Lin	R.O.C.	Male		V				V			V		V	V	V	V	V	

(2) Diversity of the board of directors:

The current board of directors consists of 9 members, including 1 female director and 3 independent directors. Two of the directors also hold executive positions. None of the directors have spouses or immediate relatives within the second degree of kinship, and none of the independent directors have served more than 9 consecutive years. All members of the board are native. The board composition is 33% independent directors (3 members), 22% employee directors (2 members), and 11% female directors. The age range of the board members is from 40 to 50 years old for 3 directors and 70 years old and above for 6 directors.

The professional backgrounds and skills of the directors cover areas such as financial accounting, chemical engineering, and business management, and they all possess leadership and decision-making abilities, as well as rich industry knowledge and experience. Information on the educational background, gender, and work experience of each director is available on page 8 of this annual report.

The independent directors of the current board of directors all comply with the regulations regarding independent directors set forth by the Financial Supervisory Commission's Securities and Futures Bureau, and there are no circumstances as stipulated in Article 26-3, paragraphs 3 and 4 of the Securities Trading Act between any of the directors or independent directors. The board of directors of the company is independent. Please refer to pages 10-11 of this annual report for information on the professional qualifications of the directors and the independence of the independent directors.

3.2.2.2General Manager, Deputy General Manager, Senior manager, Departments and Branches Officer Information

Date: Apr.10, 2023

Job title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Remarks
					No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Job title	Name	Relationship	
General manager	R.O.C	Wang Hai Cheng	Male	Nov.01, 2006	1,347,820	1.35%	0	0.00%	0	0.00%	Dept. of Mechanical Engineering in National Taipei Institute of Technology Operating Manger & General Manager of the company	No	No	No	No	
Deputy general manager	R.O.C	Tsai Chih Hsiang	Male	Mar.10, 2020	106,024	0.11%	0	0.00%	0	0.00%	PhD in Chemical Engineering in Iowa State University, USA Chairman Assistant of the company	Director of ChaoJian Investment Corporation Limited.	No	No	No	
Deputy general manager	R.O.C	Kuo Hung Chi	Male	Nov.09, 2022	3,303	0.00%	0	0.00%	0	0.00%	Dept. of Chemical Engineering, Tamkang University Consultant of the company	No	No	No	No	
Deputy general manager of North District	R.O.C	Chen Tai Chang	Male	Jan.01,2020	314,578	0.31%	0	0.00%	0	0.00%	Dept. of Chemistry Engineering in Chinese Culture University. Associate of north district	No	No	No	No	
Assistant and R&D manager	R.O.C	Hsieh Chun Chieh	Male	Jun.01, 2009	29,750	0.03%	0	0.00%	0	0.00%	Materials Science and Engineering in National Sun Yat-Sen University R&D associate of the company	No	No	No	No	
Factory manager of Yongan Plant	R.O.C	Huang Seng Wen	Male	Jan.18, 2007	282,142	0.28%	4,531	0.00%	0	0.00%	Dept. of Chemistry Engineering in National Cheng Kung University. Production associate of the company	No	No	No	No	
Manager of Middle District	R.O.C	Wu Kuo Chen	Male	Sep.01, 2016	92,550	0.09%	7,250	0.01%	0	0.00%	Dept. of Tourism in Providence University. Deputy Manager of Middle District.	No	No	No	No	
Manager of South District	R.O.C	Su Shen Lung	Male	Aug.01, 2008	37,680	0.04%	0	0.00%	0	0.00%	Master of Chemistry in National Sun Yat-Sen University Deputy Manager of South District	No	No	No	No	
Manager of overseas dept.	R.O.C	Chao Yao Hsin	Male	Dec.26, 2017	122,726	0.12%	0	0.00%	0	0.00%	Dept. of International Business, National Taiwan University Deputy Manager of Overseas Dept.	No	No	No	No	
Deputy manager of material dept.	R.O.C	Wang Tzu Yuan	Female	Jul.26, 2020	363,912	0.36%	0	0.00%	0	0.00%	MBA from University of Birmingham, UK Purchase Officer of the company.	No	General Manager	Wang Hai Chen	Father & daughter	
Deputy manager of Admi. Dept	R.O.C	Huang Shu Min	Female	Aug.01,2021	26,744	0.03%	1,436	0.00%	0	0.00%	St. Dominic Catholic High School Senior Specialist of the Economic Committee of the company.	No	No	No	No	
Financial Senior Manager (CFO / Corporate Governance Officer)	R.O.C	Ho Yin Tang	Male	Aug.01,2016	167,000	0.17%	0	0.00%	0	0.00%	Master of Dept. of Accounting in National Chengchi University Deputy Manager in Deloitte Financial associate & Spokesperson of the company	No	No	No	No	
Account manager of IT Dept.	R.O.C	Li Jiong Ming	Male	Aug.26,1995	29,000	0.03%	0	0.00%	0	0.00%	Master of Chemistry Engineering in National Cheng Kung University. Account Manager of IT Dept. of the company.	No	No	No	No	
Account manager of audit office	R.O.C	Tsai Hsing Yun	Female	Feb.16,2007	180,000	0.18%	0	0.00%	0	0.00%	Dept. of Tourism Management in Shih Chien University Account Manager of Audit Office of the company	No	No	No	No	

3.3 Last Remuneration to Directors, Supervisors, General Manager, Deputy General Manager
3.3.1 Remuneration of the directors and independence directors

Date: Dec.31, 2022 Unit: NT\$ thousand; %

Job title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+D+E+F+G and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		Base remuneration (A)		Retirement pay and pension (B)		Director profit sharing remuneration (C)		Expenses and perquisites (D)				Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		employee profit-sharing remuneration (G)						
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities	
Amount in cash	Amount in stock															Amount in cash	Amount in stock					
Director	Tsai Yeou Liang	2,757	2,757	0	0	10,625	10,625	205	205	4.31%	4.31%	3,821	3,821	0	0	20	0	20	0	5.53%	5.53%	No
	Wang Hai Cheng																					
	Gao Hong Rong																					
	Chiu Nu Chu																					
	ChaoJian Investment Corporation Limited. Rep.: Tsai Chih Hsiang																					
	Hong Ren Investment Corporation Limited. Rep.: Hsu Po Wei																					
Independent Director	Weng Cheng Chent	1,272	1,272	0	0	0	0	126	126	0.44%	0.44%	0	0	0	0	0	0	0	0	0.44%	0.44%	No
	Chung Feng Yuan																					
	Chen Chi Lin																					
1. Please describe the policy, system, standards and structure in place for paying remuneration to directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration paid. 2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities / invested enterprises): No																						

Remuneration Range Table

Ranges of remuneration paid to each of the Company's directors	Names of Directors			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company	All consolidated entities (H)	The Company	All consolidated entities (I)
Less than NT\$1,000,000	Weng Cheng Cheng, Chung Feng Yuan, ChenChi Lin	Weng Cheng Cheng, Chung Feng Yuan, ChenChi Lin	Weng Cheng Cheng, Chung Feng Yuan, ChenChi Lin	Weng Cheng Cheng, Chung Feng Yuan, ChenChi Lin
NT\$1,000,000 (incl.)~NT\$2,000,000 (excl.)	Guo Hong Rong, Chiu Nu Chu, Hong Ren Investment Corporation Limited.	Guo Hong Rong, Chiu Nu Chu, Hong Ren Investment Corporation Limited.	Guo Hong Rong, Chiu Nu Chu, Hong Ren Investment Corporation Limited.	Guo Hong Rong, Chiu Nu Chu, Hong Ren Investment Corporation Limited.
NT\$2,000,000 (incl.)~NT\$3,500,000 (excl.)	Wang Hai Cheng, ChaoJian Investment Corporation Limited.	Wang Hai Cheng, ChaoJian Investment Corporation Limited.	ChaoJian Investment Corporation Limited.	ChaoJian Investment Corporation Limited.
NT\$3,500,000 (incl.)~NT\$5,000,000 (excl.)	-	-	-	-
NT\$5,000,000 (incl.)~NT\$10,000,000 (excl.)	Tsai Yeou Liang	Tsai Yeou Liang	Tsai Yeou Liang, Wang Hai Cheng	Tsai Yeou Liang, Wang Hai Cheng
NT\$10,000,000 (incl.)~NT\$15,000,000 (excl.)	-	-	-	-
NT\$15,000,000 (incl.)~NT\$30,000,000 (excl.)	-	-	-	-
NT\$30,000,000 (incl.)~NT\$50,000,000 (excl.)	-	-	-	-
NT\$50,000,000 (incl.)~NT\$100,000,000 (excl.)	-	-	-	-
NT\$100,000,000 or above	-	-	-	-
Total	9	9	9	9

3.3.2 Remuneration of the General Manager & Deputy General Manager

Date: Dec.31, 2022 Unit : NT\$ thousand ; %

Job title	Name	Salary (A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing remuneration (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All Consolidated entities	The Company	All Consolidated entities	The Company	All Consolidated entities	The Company		All Consolidated entities		The Company	All Consolidated entities	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
General manager	Wang Hai Cheng	4,927	4,927	0	0	6,645	6,645	80	0	80	0	3.70	3.70	No
Deputy general manager	Tsai Chih Hsiang													
Deputy general manager	Kuo Hung Chi													
Deputy general manager of North Dist.	Chen Tai Chang													

Note: Deputy general manager Mr. Kuo took office on Nov.09, 2022

Remuneration Range Table

Ranges of remuneration paid to each of the Company's general manager(s) and deputy general manager(s)	Name of General Manager(s) and Deputy General Manager(s)	
	The Company	All consolidated entities (E)
1,000,000	-	-
NT\$1,000,000 (incl.)~NT\$2,000,000 (excl.)	Kuo Hung Chi	Kuo Hung Chi
NT\$2,000,000 (incl.)~NT\$3,500,000 (excl.)	Chen Tai Chang	Chen Tai Chang
NT\$3,500,000 (incl.)~NT\$5,000,000 (excl.)	Wang Hai Cheng, Tsai Chih Hsiang	Wang Hai Cheng, Tsai Chih Hsiang
NT\$5,000,000 (incl.)~NT\$10,000,000 (excl.)	-	-
NT\$10,000,000 (incl.)~NT\$15,000,000 (excl.)	-	-
NT\$15,000,000 (incl.)~NT\$30,000,000 (excl.)	-	-
NT\$30,000,000 (incl.)~NT\$50,000,000 (excl.)	-	-
NT\$50,000,000 (incl.)~NT\$100,000,000 (excl.)	-	-
NT\$100,000,000 or more	-	-
Total	4	4

3.3.3 Remuneration of the Managers

2022 unit: NT\$ thousand

	Job title	Name	Amount in stock	Amount in cash	Total	As a % of net profit
Manager	General manager	Wang Hai Cheng	0	140	140	0.044
	Deputy general manager	Tsai Chih Hsiang				
	Deputy general manager	Kuo Hung Chi				
	Deputy general manager of North Dist.	Chen Tai Chang				
	Assistant and R&D manager	Hsieh Chun Chieh				
	Factory manager of Yongan Plant	Huang Seng Wen				
	Financial senior manager	Ho Yi Tang				

3.2.3.4 The analysis of total amount of remuneration paid to directors, general managers, and deputy general managers by the Company and by all companies included in the consolidated financial statements in the past two fiscal years as a percentage of the after-tax net income of the individual or separate financial reports, and explain the policies, standards, and combinations of remuneration, as well as the procedures for setting remuneration and the correlation between operational performance and future risks:

1) The analysis of total amount of remuneration paid to directors, general managers, and deputy general managers by the Company and by all companies included in the consolidated financial statements in the past two fiscal years as a percentage of the after-tax net income of the individual or separate financial reports.

Except for the company, no remuneration was paid to directors, general managers, and deputy general managers in the consolidated subsidiaries, therefore the following analysis only pertains to this company.

Unit: NT\$ thousand & %

Position	2022		2021	
	The amount of remuneration	The ratio of after-tax profit	The amount of remuneration	The ratio of after-tax profit
Directors	18,826	5.98%	20,771	5.65%
General Managers & Deputy General Managers	11,652	3.70%	9,168	2.49%

2) Remuneration Policy, Standards, and Packages, the Procedure for Determining remuneration, and its linkage to operating performance and future risk exposure.:
 1. The Company has established a remuneration committee in accordance with regulatory requirements. In the past two fiscal years, remuneration for

directors, general managers, and deputy general managers was determined by the remuneration committee based on industry standards, individual performance, company operational performance, and the correlation with future risks. The committee submitted their recommendations to the Board of Directors for discussion and approval.

2. The remuneration paid individually has undergone careful internal assessment and has been reviewed and approved by both the remuneration committee and the Board of Directors. The process ensures that no significant future risks will arise.

3.4 Corporate Governance Status

3.4.1 Operation of the Board of Directors

The number of board meetings held in the most recent fiscal year was: 5

The attendance by the directors and supervisors was as follows:

Title	Name	No. of meetings attended in person B	No. of meetings attended by proxy	In-person attendance rate (%) 【 B / A 】	Remarks
Chairman	Tsai Yeou Liang	4	0	100%	
Director	Gao,Hong Rong	4	0	100%	
Director	Wang Hai Cheng	4	0	100%	
Director	Chiu Nu Chu	4	0	100%	
Director	ChaoJian Investment Corporation Limited. Rep.: Tsai Chih Hsiang	4	0	100%	
Director	Hong Ren Investment Corporation Limited Rep.: Hsu Po Wei	4	0	100%	
Independent Director	Chung Feng Yuan	4	0	100%	
Independent Director	Weng Cheng Cheng	4	0	100%	
Independent Director	Chen Chi Lin	4	0	100%	

Other information required to be disclosed:

1. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:

(1) Any matter under Article 14-3 of the Securities and Exchange Act.

(2) In addition to the matters referred to above, any dissenting or qualified opinion of an independent director that is on record or stated in writing with respect to any board resolution.: No

2. The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: specify the director's name, the content of the motion, the cause for recusal, and whether and how the director voted. :

Date	Content of the motion	Directors who abstained from voting, reasons for abstention, and their participation in the vote:
Mar.09, 2022	1. The remuneration to the directors and managerial officers for year 2021.	1. Chairman Tsai Yeou Liang abstained from the discussion and voting due to the potential conflict of interest in this case. Therefore, independent director Chung Feng Yuan was appointed as the acting chairman. 2. Director Wang Hai Cheng, Chiu Nu Chu, Gao Hong Rong, Rep. Tsai Chih Hsiang of ChaoJian Investment Corporation Limited., and Accounting director Ho Yin Tang abstained

		from the discussion and voting due to the potential conflict of interest in this case. 3. Except for the directors who abstained from the discussion and voting in accordance with the regulation, the remaining attending directors did not object and agreed to pass the resolution.
	2. Revise the remuneration to the independent directors	1. Three independent directors (Chung Feng Yuan, Weng Cheng Cheng, Chen Chi Lin) abstained from the discussion and voting due to the potential conflict of interest in this case. 2. Except for the directors who abstained from the discussion and voting in accordance with the regulation, the remaining attending directors did not object and agreed to pass the resolution.
Aug.09, 2022	Transportation allowance to director Guo Hong Rong	1. Director Guo Hong Rong was involved as a related party and recuse himself from participating in the discussion and voting. 2. Except for the directors who abstained from the discussion and voting in accordance with the regulation, the remaining attending directors did not object and agreed to pass the resolution.
Nov. 09, 2022	Examination of year-end bonus for managerial officers	1. Chairman Tsai Yeou Liang, director Wang Hai Cheng and rep. Tsai Chih Hsiang of ChaoJian Investment Corporation Limited are all managers of the company. According to the rules of the board of directors, these individuals should recuse themselves from participating in the discussion and voting on this matter due to potential conflicts of interest. Chairman Mr. Tsai appointed independent director Weng Cheng Cheng as the proxy chairman to preside over the discussion and voting on this matter. 2. Except for the directors mentioned above who recused themselves due to conflicts of interest, the remaining directors present were consulted by the proxy chairman and agreed to pass the resolution without objection.

3. Evaluation cycle, period, scope, method and content of the board's self-evaluation :

(1) Annual self evaluation :

Evaluation cycle	Evaluation period	Scope of evaluation	Method of evaluation	Evaluation content
Once per year	From Jan.01, 2022 to Dec.31, 2022 (the evaluation results were reported to the board of directors on March 9, 2023)	the board of directors, individual board members, and functional committees (remuneration and audit committee)	the board of directors, individual board members, and functional committees (remuneration and audit committee) and board	(1) The content of the board of directors' performance evaluation includes participation in the company's operations, improving the quality of the board's decision-making, the composition and structure of the board, the selection and continuing education of directors, and internal controls. (2) The content of individual director's performance evaluations includes understanding the company's goals and tasks, awareness of director responsibilities, participation in the company's

			members	operations, internal relationship management and communication, director professionalism and continuing education, and internal controls. (3) The content of the functional committee's performance evaluation includes understanding the company's goals and tasks, awareness of the functional committee's responsibilities, improving the quality of the functional committee's decision-making, the composition and selection of functional committee members, and internal controls.	
--	--	--	---------	---	--

(2) Evaluation by external agency: once per three years. The company plans to evaluate by external agency in the second half of 2023.

4. Evaluation of the goals and implementation of strengthening the functions of the board in the current and previous years (such as establishing an audit committee, enhancing information transparency, etc.):

(1) The Company established the "Board Performance Evaluation Method" in 2020 to implement corporate governance and enhance the efficiency of the board's operations.

(2) The Company established an Audit Committee in 2020, consisting of all independent directors to strengthen corporate governance and management.

(3) Since 2021, the Company has established a Remuneration Committee, which is responsible for formulating and periodically reviewing the remuneration of directors and managerial officers.

(4) Important decisions of the board and related corporate governance regulations have been uploaded to the Company's website to strengthen information disclosure by the board.

3.4.2 Operation of the Audit Committee

The number of audit committee meetings held in the most recent fiscal year was: 4 (A)

The attendance by the independent directors was as follows:

Title	Name	No. of meetings attended in person B	No. of meetings attended by proxy	In-person attendance rate (%) 【 B / A 】	Remarks
Independent director (Convener)	Chung Feng Yuan	4	0	100%	
Independent director	Weng Cheng Cheng	4	0	100%	
Independent director	Chen Chi Lin	4	0	100%	

Other information required to be disclosed:

1. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:

(1) Any matter under Article 14-5 of the Securities and Exchange Act.

Meeting Date (Meeting session number)	Meeting content of the motion(s)	All independent director opinions and the company's responses to independent director opinions
Mar.09, 2022 (7th meeting of the 1st session)	1. Business report and financial statement for year 2021. 2. Profit distribution for year 2021 3. Proposal for Annan Plant Construction 4. Employee stock option plan for the year 2021 and list of eligible employees ° 5. Appointment of accountants and evaluation of their independence and suitability and determination of their remuneration. 6. Internal audit report 7. Statement of internal control system for year 2021 8. Revision certain provisions of the "Regulations Governing the Acquisition and Disposal of Assets".	All of the proposals were unanimously approved by all attending members of the Audit Committee, and were subsequently passed by the Board of Directors without any objection. None of the proposals were approved without prior endorsement by the Audit Committee, and all were supported by more than two-thirds of the Board of Directors.
May.10, 2022 (8th meeting of the 1st session)	1. Financial statement of Q1, 2022 of the company 2. Revision of "Inventory Operation" section of internal control system – production cycle 3. Internal audit report	
Aug.09, 2022 (9th meeting of the 1st session)	1. Proposal to change the accountant and the evaluation of accountant's independence 2. Financial report for the 2nd quarter of 2022 3. Internal audit report	
Nov.09, 2022	1. Financial report for the 3rd quarter of 2022	

(10th meeting of the 1st session)	2.Internal audit report 3.Audit plan of 2023	
(2) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of directors: No 2. Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: specify the independent director's name, the content of the motion, the cause for recusal, and whether and how the independent director voted.: No 3. Communication between independent directors, internal audit supervisors and CPAs (including significant matters, methods and results of communication regarding the company's financial and business conditions): (1)The internal audit director of the Company regularly communicates the results of the audit report with the Audit Committees and presents an internal audit report at each quarterly meeting of the Audit Committee. In case of any special circumstances, the internal audit director also reports to the Audit Committees immediately. There were no such special circumstances in 2022. The communication between the Audit Committees and the internal audit director of the Company was good. (2)The accountant reports the results of the audit or review of the financial statements for the quarter at each quarterly meeting of the Audit Committees, as well as other communication matters required by relevant laws and regulations. In case of any special circumstances, the accountant also reports to the Audit Committees immediately. There were no such special circumstances in 2022. The communication between the Audit Committees and the accountant was good. (3)The communication between the independent directors and the internal audit director and accountant are as follows:		
Meeting date	Communication with internal audit director	Communication with accountant
Mar.09,2022	Review internal audit report Review internal control system statement of 2021	Discuss the audit results of the individual and consolidated statements for year 2021
May.10,2022	Review internal audit report Review and revise inventory operation section of "internal control – production cycle" of the company	Discuss the review result of the 1st quarter financial statements for year 2022
Aug.09,2022	Review internal audit report	Discuss the review result of the 2 nd quarter financial statements for year 2022
Nov.09,2022	1. Review internal audit report 2. Review internal audit plan of 2023	1. Discuss the review result of the 3 rd quarter financial statements for year 2022

		2. Discuss the audit plan for year 2022
4. Annual key point of work and operation status : (1) Annual key point of work : 1. Regular communication with the internal audit supervisor on the results of the audit report based on the annual audit plan 2. Regularly review or audit results of each quarter's financial statements with accountant. 3. Review financial reports 4. Assess the effectiveness of the internal control system 5. Review and approve the appointment, discharge, remuneration and services provided by the accountants. 6. Evaluation of the independence and suitability of the accountants. 7. Deliberation on the management of assets, derivative products, fund lending, and endorsement guarantees and related transactions. 8. Compliance with regulations. (2) Operation status of year 2022: All audit committee proposals were reviewed or approved by the audit committee, and the independent directors had no objections.		

3.4.3 Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons <u>Yes</u>										
	<u>Yes</u>	No	Summary description											
1.Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		Established Corporate Governance Best-Practice Principles and disclosed on the website.	V										
2.Shareholding Structure and Shareholders’ Rights														
(1)Does the Company have Internal Operation Procedures or handling shareholders’ suggestions, concerns, disputes and litigation matters? If yes, have these procedures been implemented accordingly?	V		The company has set up a spokesperson and deputy spokesperson to handle shareholder suggestions or dispute	No										
(2)Does the company know the entity of its major shareholders and the parties with ultimate control of the major shareholders	V		The company obtains a list of the main shareholders who actually control the company and the ultimate controllers of the main shareholders. Share-related matters are handled by a professional stock agency.	No										
(3)Has the company built and implemented a risk management system and a firewall between the Company and its affiliates?	V		In addition to developing various risk management, the company has also established operational procedures for business, operations, and financial transactions with related enterprises to implement the risk management between the company and related enterprises.	No										
(4)Has the company established internal rules prohibiting insider trading of securities based on undisclosed information?	V		The company has established management procedures for preventing insider trading and processing significant internal information, regulating all employees, directors, supervisors, managers, and anyone who has access to the company's information based on their profession or control relationship, and prohibiting any actions that may involve insider trading.	No										
3.Composition and responsibilities of the board of directors														
(1)Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	V		The Company has established a policy of board diversity in the "Corporate Governance Best Practice Principles," including but not limited to the following two aspects of standards : (1) Basic Conditions and Values: gender, age, nationality, and culture. (2) Professional Knowledge and Skills: professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills and industry experience. The current board of directors of the Company is composed of nine directors, and the specific management goals and achievements of the board's diversity policy are as follows: <table><tr><td>Management goals</td><td>Achievements</td></tr><tr><td>The board of directors shall include at least one female director</td><td>Achieved</td></tr><tr><td>The number of directors who also serve as company executives shall not exceed one-third of the total number of directors</td><td>Achieved</td></tr><tr><td>No more than two directors who are relatives within the second degree of kinship by marriage</td><td>Achieved</td></tr><tr><td>The term of independent directors shall not exceed three terms</td><td>Achieved</td></tr></table> The members of the board of directors have a diverse background in industries, finance and accounting, and management. Please refer to page 15 of the annual report for more information.	Management goals	Achievements	The board of directors shall include at least one female director	Achieved	The number of directors who also serve as company executives shall not exceed one-third of the total number of directors	Achieved	No more than two directors who are relatives within the second degree of kinship by marriage	Achieved	The term of independent directors shall not exceed three terms	Achieved	No
Management goals	Achievements													
The board of directors shall include at least one female director	Achieved													
The number of directors who also serve as company executives shall not exceed one-third of the total number of directors	Achieved													
No more than two directors who are relatives within the second degree of kinship by marriage	Achieved													
The term of independent directors shall not exceed three terms	Achieved													
(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?	V		The company established the Remuneration Committee and Audit Committee in November 2011 and June 2020 respectively to exercise their respective duties. The company may establish other functional committees in the future in accordance with legal requirements or practical needs.	No										
(3) Has the company established rules and methodology for evaluating the	V		On March 10, 2020, the Board of Directors approved the "Board of Directors Performance Evaluation Method". The	No										

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons <u>Yes</u>
	<u>Yes</u>	No	Summary description	
performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/remuneration for individual directors and their nomination and additional office terms?			board conducts internal performance evaluations at least once a year, including functional committees, and an external professional independent agency or expert team will conduct an evaluation at least once every three years. 1.Internal performance evaluation : Please refer to the relevant description in (1) Operation of the board of directors: 3. Evaluation Cycle and Period, Scope, Method, and Content of Self-Evaluation of the Board for the internal performance evaluation methods, scope, and content. The evaluation results were reported to the board on March 9, 2023, and served as a reference for the performance, remuneration and reappointment of the board and functional committees. The board, board members, and functional committees all operate effectively and meet the requirements of corporate governance. 2.External performance evaluation : plan to appoint an external professional agency to conduct an evaluation in the second half of 2023.	
(4) Does the company regularly evaluate its accountant independence?	V		The Company refers to Article 47 of the Certified Public Accountant Act and Professional Ethics Bulletin No. 10 "Integrity, Objectivity, and Independence," as well as the Audit Quality Indicators (AQIs) to develop independence assessment items, and conducts regular assessments (at least once a year) of the independence and suitability of the accountants. The evaluation includes 3 major aspects: independence requirement, independence operation and suitability are explained as follows: 1. Independence requirement: Review whether there is any relationship between the accountant and the company's directors, managers, spouses, direct blood relatives, direct in-laws, or second-degree relatives; whether the accountants or their spouse and underage children have invested or shared financial interests with the company; whether they have been employed by the company for regular work, receive fixed salaries, or serve as directors, etc. 2. Independence operation: Review whether the accountant maintains formal and substantial independence when audit, review, or special project review; whether the accountant maintains a fair and objective position, and performs professional services with integrity and rigor. 3. Suitability: Review whether the audit personnel receive sufficient education and training every year to continuously obtain professional knowledge and skills, have sufficient capacity and experience to perform audit work; whether the audit team and the accountant's quality review input are appropriate and sufficient; whether the accountant timely notifies the board of directors (audit committee) of any significant issues and developments in risk management, corporate governance, financial accounting, and related risks. After evaluating that the accountants meet the company's independence and suitability standards and are capable of serving as the company's qualified accountants, the evaluation results were discussed and passed by the Audit Committee on March 9, 2023, and submitted to the Board of Directors for approval on the same day.	No

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons <u>Yes</u>																				
	<u>Yes</u>	No	Summary description																					
4.Does the TWSE/TPEx listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	V		On Mar.9, 2022, it was resolved in the board meeting to appoint Mr. Ho Yin-Tang as the Corporate Governance Officer to be responsible for corporate governance-related matters as the highest executive officer with the assistance of the Finance Department. Mr. Ho has over three years of experience in financial management for publicly traded companies. The main responsibilities of the Corporate Governance Officer include coordinating with relevant departments to provide timely information needed for the board to carry out its duties, assisting the board in complying with laws and regulations, handling matters related to the board of directors and shareholders meetings, and implementing corporate governance. The training record of the Corporate Governance Officer is as follows : <table><tr><th>Training date</th><th>Organization</th><th>Course</th><th>Training hours</th></tr><tr><td>Oct.05, 2022</td><td>Securities & Futures Institute</td><td>Internal Legal Compliance Workshop on Insider Trading in 2022</td><td>3</td></tr><tr><td>Oct.21,2022</td><td>Securities & Futures Institute</td><td>Workshop on Preventing Insider Trading in 2022</td><td>3</td></tr><tr><td>Jan.09, 2023</td><td>Accounting Research and Development Foundation</td><td>Newly Revised “Internal Control Handling Guidelines” and Compliance Practices for “Cyber security”</td><td>6</td></tr><tr><td>Jan.11, 2023</td><td>Accounting Research and Development Foundation</td><td>Common deficiencies in financial statement review and practical analysis of important internal control regulations.</td><td>6</td></tr></table>	Training date	Organization	Course	Training hours	Oct.05, 2022	Securities & Futures Institute	Internal Legal Compliance Workshop on Insider Trading in 2022	3	Oct.21,2022	Securities & Futures Institute	Workshop on Preventing Insider Trading in 2022	3	Jan.09, 2023	Accounting Research and Development Foundation	Newly Revised “Internal Control Handling Guidelines” and Compliance Practices for “Cyber security”	6	Jan.11, 2023	Accounting Research and Development Foundation	Common deficiencies in financial statement review and practical analysis of important internal control regulations.	6	No
Training date	Organization	Course	Training hours																					
Oct.05, 2022	Securities & Futures Institute	Internal Legal Compliance Workshop on Insider Trading in 2022	3																					
Oct.21,2022	Securities & Futures Institute	Workshop on Preventing Insider Trading in 2022	3																					
Jan.09, 2023	Accounting Research and Development Foundation	Newly Revised “Internal Control Handling Guidelines” and Compliance Practices for “Cyber security”	6																					
Jan.11, 2023	Accounting Research and Development Foundation	Common deficiencies in financial statement review and practical analysis of important internal control regulations.	6																					
5.Has the company established channel for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders’ questions and concerns on important corporate social responsibility issues?	V		1. The company focuses on the issues and communication channels of stakeholders (Note 1) and has open communication channels with employees, customers, suppliers, investors, communities and other stakeholders, respecting and maintaining their legitimate rights and interests. 2. The company has set up a "Stakeholder area" on the website, and designated responsible personnel to provide appropriate responses to feedback and inquiries from investors, customers, suppliers, employees, and others. The website is https://www.qualipoly.com/zh-tw/.	No																				
6.Has the company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V		The Company has appointed a professional stock agent, the Stock Agent Department of Entrust Securities Co., Ltd., to handle all stock-related affairs of the Company.	No																				
7.Information Disclosure																								
(1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	V		The Company has a website (www.qualipoly.com.tw) that discloses financial and corporate governance information at all times. In addition, relevant information of the Company can be obtained by querying the Public Information Observation System.	No																				

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons <u>Yes</u>
	<u>Yes</u>	No	Summary description	
(2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		The company has designated a person to be in charge of the disclosure of significant information and to timely input it into Taiwan Stock Exchange Market Observation Post System and the company's website. The spokesperson system has also been implemented in accordance with regulations, and the materials from corporate briefings are posted on the company's website.	No
(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	V		The Company has announced the financial reports for the first, second, and third quarters, as well as monthly operating status in accordance with the regulations and before the specified deadline. For details, please refer to the website of the Taiwan Stock Exchange Market Observation Post System (https://mops.twse.com.tw/). In the future, the Company will plan to announce the annual financial report within two months after the end of the accounting year, based on the operational needs of the Company.	No
8. Has the company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V		1. Employee rights: The company protects employee rights in accordance with the Labor Standards Act. 2. Employee care: The company provides related welfare systems and good education and training programs, and establishes communication channels with employees to appropriately respond to suggestions regarding the company's operations and employee benefits 3. Investor relations: The company fully discloses information to investors through Taiwan Stock Exchange Market Observation Post System and the company website to help them understand the company's operational status. The company also communicates with investors through shareholder meetings and spokesperson. 4. Supplier relations: The company regularly evaluates suppliers and maintains good relationships through effective communication. 5. Stakeholder rights: Stakeholders have the right to communicate and provide suggestions to the company to protect their legal interests. 6. Director training: Please refer to the explanation of director training in (Note 2) 7. Implementation of risk management policies and risk measurement standards: The company has established management regulations for important management indicators and implements them in accordance with the regulation. 8. Implementation of customer policies: The company maintains stable and good relationships with customers to create profits. The company has passed ISO 9001 certification and has a dedicated department that ensures the implementation of the company's customer policies through overall operations. 9. Liability insurance for directors and important employees: The cumulative limit of indemnity for each claim and during the insurance period is USD 3 million.	No
9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement. (If the Company was not included among the companies evaluated for the given recent year, this item does not need to be completed.). 1. Improved: Strengthened information disclosure in annual reports and company websites 2. Not yet improved: For other items that have not yet been improved, the company will gradually review and improve them to implement the spirit of corporate governance.				

Note 1 : Stakeholder issues and communication channels

Stakeholder	Issues	Frequency	Communication Channels and Response Methods
Shareholder/Investor	◎Finance performance ◎Products and services ◎Regulatory compliance ◎Workplace safety and health	◎Annual ◎Irregularly	◎Annual Report and Shareholders' Meeting ◎Company website and Taiwan Stock Exchange Market Observation Post System ◎Appointment of spokesperson
Customer	◎Products and services ◎Innovation and R&D ◎Regulatory compliance ◎Finance performance	◎Regularly	◎Dedicated communication of sales dept. ◎Technical support ◎Annual customer satisfaction survey ◎Customer complaint channels ◎Participation in exhibitions
Employee	◎Labor relations ◎Finance performance ◎Workplace safety and health ◎Training and development	◎Regularly ◎Half year	◎Employee complaint channels, internal meetings ◎Symposium ◎Employee welfare committee ◎Morning meetings, education and training
Supplier/Contractor	◎Workplace safety and health ◎Supplier/contractor management and evaluation	◎Regularly ◎Irregularly	◎Dedicated communication of procurement dept. ◎Supplier visits or inspections ◎Organizational meetings and negotiations
Government/Community	◎Regulatory compliance ◎Pollution prevention and control ◎Workplace safety and health ◎Climate change and energy management ◎Community engagement ◎Labor relations	◎Irregularly	◎Participation in community meetings and activities ◎Participation in briefings, promotion meetings, symposiums, and seminars ◎Declaration review and on-site inspections ◎Written correspondence and phone communication.

Note2 : Directors' training

Title	Name	Training Date	Organization	Course	Training hours
Director	Tsai Yeou Liang	Oct.05, 2022	Securities & Futures Institute	Presentation on Compliance with Insider Trading Laws for Internal Personnel in 2022	3
Director	Tsai Yeou Liang	Oct.28, 2022	Securities & Futures Institute	Prevention of Insider Trading Seminar for year 2021	3
Director	Wang Hai Cheng	Oct.05, 2022	Securities & Futures Institute	Presentation on Compliance with Insider Trading Laws for Internal Personnel for year 2021	3
Director	Wang Hai Cheng	Oct.28, 2022	Securities & Futures Institute	Prevention of Insider Trading Seminar for year 2021	3
Director	Chiu Nu Chu	Jul.27, 2022	Taiwan Stock Exchange Corporation	Industry-themed seminar on Sustainable Development Roadmap	2
Director	Chiu Nu Chu	Oct.25, 2022	Taiwan Academy of Banking and Finance	Corporate Governance Lecture (150th session)	3
Director	Chiu Nu Chu	Oct.28, 2022	Securities & Futures Institute	Prevention of Insider Trading Seminar for year 2021	3
Corporate Director Rep.	Tsai Chih Hsiang	Oct.21, 2022	Securities & Futures Institute	Prevention of Insider Trading Seminar for year 2021	3
Independent director	Chung Feng Yuan	Oct.21, 2022	Securities & Futures Institute	Prevention of Insider Trading Seminar for year 2021	3

3.4.4 Disclosure of composition and operation of remuneration committee :

1. Information on Remuneration Committee Members

Apr.10, 2023

Capacity	Qualifications Name	Professional qualification and experience	Independence analysis	Number of other public companies at which the person concurrently serves as remuneration committee member
Independent director (Convener)	Chung Feng Yuan	Note	Note	0
Independent director	Weng Cheng Cheng	Note	Note	0
Independent director	Chen Chi Lin	Note	Note	0

Note: For information of professional qualifications, experience, and independence of the remuneration committee member, please refer to the relevant content in Section (I) of the Directors and Supervisors Information on page 9

2.Operation of the Remuneration Committee

- (1) The Company's remuneration committee has a total of 3 members.
- (2) The term of the current members is from Jun.10, 2020 to Jun.09, 2023. The number of remuneration committee meetings held in the most recent fiscal year was:3(A). The attendance by the members was as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B / A)	Remarks
Committee (Convener)	Chung Feng Yuan	3	0	100%	
Committee	Weng Cheng Cheng	3	0	100%	
Committee	Chen Chi Lin	3	0	100%	

Other information required to be disclosed:

1. If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee (e.g., if the salary/remuneration approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons) : No
2. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions

of all members, and the measures taken by the Company with respect to the members' opinion. :

Meeting Date	Content of motion	Results of the remuneration committee and the company's handling for member's opinions
Mar.09, 2022 (5th of 4th session of remuneration committee meeting)	1. Performance evaluation of the Board of Directors (including functional committees) for the year 2021 2. Employee and director remuneration distribution for the year 2021 3. Remuneration on directors and managerial officers for the year 2021 4. Revise remuneration of independent directors 5. List of eligible managerial officers for issuance of employee stock option	The proposal has been approved without objection
Aug.09, 2022 (6th of 4th session of remuneration committee meeting)	Transportation allowance for director GaoHong Rong	The proposal has been approved without objection
Nov.09, 2022 (7th of 4th session of remuneration committee meeting)	Review of year-end bonus for managerial officers	The proposal has been approved without objection

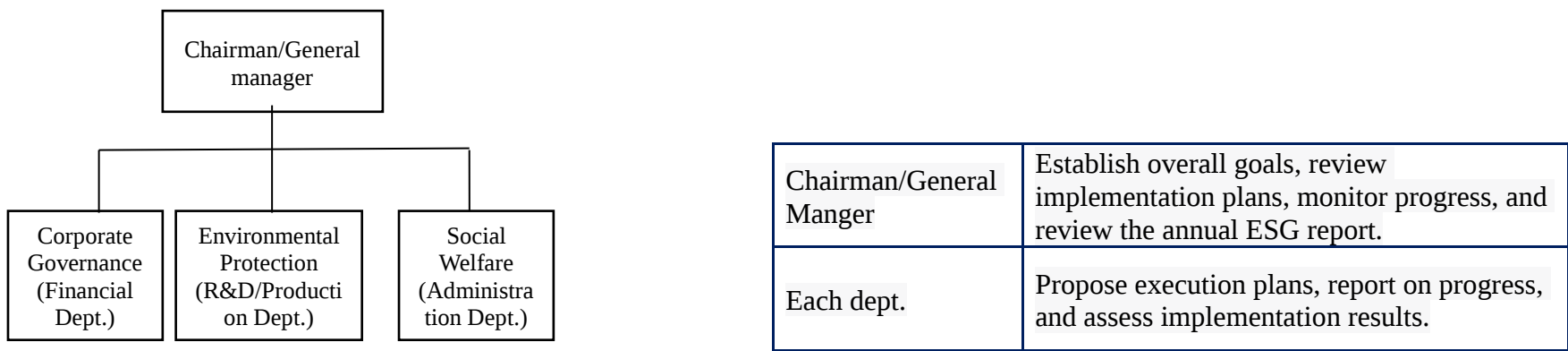
3.4.5 Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons																								
	Yes	No	Summary description																									
1.Has the company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		The company's various departments work together to promote sustainable development. They regularly discussion the issue of concern to stakeholders and develop corresponding strategies. After being reviewed by senior management, these strategies are communicated and integrated through departmental collaboration to ensure effective implementation (Note1). The company reports annually to the board of directors on the implementation and execution of these issues, demonstrating a continued commitment to sustainable development.	No																								
2.Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		1. The disclosure shall cover the economic, environmental, and social performance of the operational with the risk assessment boundary mainly focusing on the company (including the Yongan plant in Kaohsiung). 2. Refer the GRI Standards' materiality principle for the risk assessment and policy and response to relevant issues (Note 2).	No																								
3.Environmental Issues																												
(1)Has the Company set an environmental management system designed to industry characteristics?	V		The company has implemented an environmental management system in accordance with the ISO 14001 international standard. We obtained ISO 14001 environmental management system certification in 2009, and obtained certification for the updated version, ISO 41001:2015 in 2018. The certificate is valid until Mar. 19th, 2023.	No																								
(2)Does the company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V		The company is actively strengthening pollution prevention, process improvement, environmental monitoring, resource management, waste reduction, and solvent recovery and reuse. We are also developing recycled material products and have obtained GRS and RCS certifications to achieve the goal of low energy consumption and low pollution environment.	No																								
(3)Has the company evaluated the potential risks and opportunities posed by for its business now and in the future and adopted relevant measures to address them?	V		The company has formulated regulations for energy conservation, carbon reduction, and greenhouse gas reduction in response to the impact of climate change.	No																								
(4)Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	V		The company obtained ISO 14001 certification in 2009. Through this standard, we have strengthened the self-management and continuously improved the environmental performance, effectively and properly maintaining overall operations. In terms of pollution prevention, we have obtained various permits, including "Permit for Operating Fixed Pollution Sources," "Water Pollution Prevention Permit," "Business Waste Management Plan," and "Permit for the Operation of Toxic Chemicals," and we regularly inspect, maintain, report, and test according to regulations. 1.Statistical data and intensity of Greenhous gases of Yongan Plant in past two years: Unit : ton CO2/year <table><tr><td>Item</td><td>2021</td><td>2022</td></tr><tr><td>Scope 1(direct emissions)</td><td>11,066</td><td>9,899</td></tr><tr><td>Scope 2(Indirect emissions)</td><td>7,170</td><td>6,750</td></tr><tr><td>Scope 3(Other indirect emissions)</td><td>28</td><td>28</td></tr><tr><td>Total</td><td>18,264</td><td>16,677</td></tr></table> 2. Volume of water consumption of Yongan Plant in past two years : <table><tr><td>Item</td><td>2021</td><td>2022</td></tr><tr><td>Sewage discharge</td><td>43,527 m3</td><td>38,669 m3</td></tr><tr><td>Tap water usage</td><td>104,656 m3</td><td>109,914 m3</td></tr></table>	Item	2021	2022	Scope 1(direct emissions)	11,066	9,899	Scope 2(Indirect emissions)	7,170	6,750	Scope 3(Other indirect emissions)	28	28	Total	18,264	16,677	Item	2021	2022	Sewage discharge	43,527 m3	38,669 m3	Tap water usage	104,656 m3	109,914 m3	No
Item	2021	2022																										
Scope 1(direct emissions)	11,066	9,899																										
Scope 2(Indirect emissions)	7,170	6,750																										
Scope 3(Other indirect emissions)	28	28																										
Total	18,264	16,677																										
Item	2021	2022																										
Sewage discharge	43,527 m3	38,669 m3																										
Tap water usage	104,656 m3	109,914 m3																										

		3. Waste of Yongan Plant in past two years : <table><tr><th colspan="2">General waste</th><th colspan="2">Unit of disposal: ton</th></tr><tr><th>Item</th><th>2021</th><th>2022</th><th>Disposal method</th></tr><tr><td>Waste</td><td>4,753</td><td>5,093</td><td>Incineration, burial, thermal, physical treatments</td></tr><tr><td>Waste steel drums</td><td>559</td><td>238</td><td>Recycle</td></tr><tr><td>Waste</td><td>5,312</td><td>5,331</td><td></td></tr></table><table><tr><th colspan="2">Dangerous waste</th><th colspan="2">Unit of disposal: ton</th></tr><tr><th>Item</th><th>2021</th><th>2022</th><th>Disposal method</th></tr><tr><td>Waste</td><td>19</td><td>31</td><td>Incineration</td></tr><tr><td>Waste steel drums</td><td>133</td><td>245</td><td>Recycle</td></tr><tr><td>Waste</td><td>152</td><td>276</td><td></td></tr></table> 4. Emissions of air pollutants of Yongan Plant in past two years : Unit: tons <table><tr><th>Item</th><th>2021</th><th>2022</th></tr><tr><td>Nitrogen oxides(NO_X)</td><td>7.7</td><td>7.5</td></tr><tr><td>Sulfur oxides(SO_X)</td><td>1.8</td><td>1.5</td></tr><tr><td>Volatile organic pollutants (VOCS)</td><td>19.5</td><td>14.6</td></tr><tr><td>Particulate matter (Par)</td><td>0.4</td><td>0.4</td></tr></table> The company no longer uses ozone-depleting substances(ODS)	General waste		Unit of disposal: ton		Item	2021	2022	Disposal method	Waste	4,753	5,093	Incineration, burial, thermal, physical treatments	Waste steel drums	559	238	Recycle	Waste	5,312	5,331		Dangerous waste		Unit of disposal: ton		Item	2021	2022	Disposal method	Waste	19	31	Incineration	Waste steel drums	133	245	Recycle	Waste	152	276		Item	2021	2022	Nitrogen oxides(NO _X)	7.7	7.5	Sulfur oxides(SO _X)	1.8	1.5	Volatile organic pollutants (VOCS)	19.5	14.6	Particulate matter (Par)	0.4	0.4	
General waste		Unit of disposal: ton																																																								
Item	2021	2022	Disposal method																																																							
Waste	4,753	5,093	Incineration, burial, thermal, physical treatments																																																							
Waste steel drums	559	238	Recycle																																																							
Waste	5,312	5,331																																																								
Dangerous waste		Unit of disposal: ton																																																								
Item	2021	2022	Disposal method																																																							
Waste	19	31	Incineration																																																							
Waste steel drums	133	245	Recycle																																																							
Waste	152	276																																																								
Item	2021	2022																																																								
Nitrogen oxides(NO _X)	7.7	7.5																																																								
Sulfur oxides(SO _X)	1.8	1.5																																																								
Volatile organic pollutants (VOCS)	19.5	14.6																																																								
Particulate matter (Par)	0.4	0.4																																																								
4. Social Issues																																																										
(1)Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V	The company has established various management regulations in accordance with labor standards and related personnel regulations, respecting internationally recognized basic human rights, including freedom of association, caring for vulnerable groups, prohibiting child labor, eliminating all forms of forced labor, and eliminating discrimination in employment and employment. These regulations aim to protect the legitimate rights and interests of the company’s employees.	No																																																							
(2)Has the company established and implemented reasonable employee welfare measures (include salary/remuneration, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/remuneration?	V	1.The company refers to the salary levels of peers in the industry and the market to determine reasonable salary remuneration. Salaries are granted based on factors such as job level, individual education and experience, professional skills, seniority, ability, job performance, etc. We also provide a stable salary adjustment that does not involve gender differences. In addition, we review the operating performance every six months and issue employee operating performance bonuses based on the company's performance, sharing the results of operations with employees. In 2022, the average annual salary adjustment of managerial and non-managerial position was 4%. In 2022, the average percentage of female employees was 16%, and female supervisors was 10% 2.The company provides a comprehensive welfare system, such as paid leave, birthday bonuses, club activities, and work uniform. We have also established a staff welfare committee to provide all employees with various subsidies. For details on welfare, please refer to the "Labor-Management Relations" section on page 62 of this year's annual report.	No																																																							
(3)Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V	1. The company has established a safe and healthy workplace environment based on the PDCA management framework under the ISO 45001:2018 Occupational Health and Safety Management System. 2. Implementation of employee safety and health: (1)Every year, we thoroughly implement health check requirements based on legal regulations, issue analysis reports on the results, and have specialized personnel (factory medical staff) track and control any abnormalities. Special operation personnel also undergo special health checks annually. We hire occupational medicine specialists to provide on-site medical consultation services every two months. We have installed AED automated external defibrillators in the guardhouse and within the factory premises, and regularly hold CPR and first aid training and awareness courses.	No																																																							

			(2)Every year, we convene an emergency response team for on-site drills in the factory to prevent accidental disasters and ensure the timely reaction in case of an accident to prevent or mitigate personnel injuries, property damage, production interruptions, and other impacts. We also control the impact of disasters and restore the situation after a disaster. (3)There were no occupational accidents in 2022. We continue to control and improve employee awareness to prevent future risks.	
(4)Has the company established effective career development training programs for employees?	V		The company provides relevant internal and external professional education and training to enrich employees' skills.	No
(5)Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V		1.The products are labeled in compliance with relevant laws and international standards. 2.The company has established a customer complaint procedure to address customer feedback promptly. Customers can also feedback and participate in the annual customer satisfaction survey through the company's website's inquiry mailbox or directly through the sales to ensure their rights and interests are protected. 3.The company has designated personnel to sort and archive any customer information involving customer privacy. Access to customer information requires appropriate approval and authorization. There were no complaints in 2022 regarding customer privacy breaches or loss of customer data, nor were there any incidents of counterfeiting, infringement, or other events.	No
(6)Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		The company has established a "Supplier Management Procedure" that requires the company's suppliers to comply with environmental and occupational safety requirements, in order to jointly create a safe environment and fulfill corporate social responsibility. If we find that a supplier violates the company's corporate social responsibility policy and has a significant impact on the environment and society, we will consider temporarily or permanently suspending business dealings with them.	No
5.Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?	V		The company follows the "Global Reporting Initiative (GRI) Standards: Core Option" and the "Operation Rules for Listed Companies to Compile and Declare Sustainability Reports" of the Taiwan Stock Exchange to prepare our sustainability report in compliance with relevant regulations. For year 2021 report, we commissioned Deloitte & Touche to provide a limited assurance report in accordance with the Taiwan Financial Assurance Foundation's Bulletin No. 1 "Assurance Engagements Other than Historical Financial Information."	No
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: The company adheres to the self-established Sustainable Development Practices and there are no significant differences				
7. Other important information to facilitate better understanding of the company's promotion of sustainable development: Disclose the Sustainability Report on the company website and Taiwan Stock Exchange Market Observation Post System to help stakeholders understand the company's sustainable development operations.				

Note 1. Organization of sustainable development :



2. Based on the GRI assessment, the following risk management policies are formulated :

Issue	Risk assessment	Risk management policies
Corporate governance	Compliance with laws and regulations	Establish various internal management regulations, implement internal controls, and establish a whistleblower mechanism to ensure that the company's operations and employees comply with laws and regulations. Stay up-to-date with changes in laws and regulations, and send representatives to attend government-sponsored advocacy meetings, courses, etc. from time to time to ensure compliance with legal requirements.
	Strengthen director functions and implement director responsibilities	Provide information required for the directors to execute their duties irregularly and assist in arranging courses for directors to improve their skills.
	Stakeholder communication	Analyze important issues related to stakeholders every year, set up a stakeholder zone on the company's website, and have a dedicated person respond to ensure smooth communication channels for stakeholders.
Society	Workplace safety and health	Implement the ISO 14001 environmental management system and ISO 45001 occupational health and safety management system, establish an "Occupational Health and Safety Committee" to implement occupational health and safety management. Hold safety meetings regularly, review and improve various hazard prevention measures, and enhance employee safety awareness to reduce occupational accidents.
	Employee welfare and remuneration Human rights protection	Establish internal personnel regulations to clearly define the standards for employee appointment, promotion, treatment, benefits, etc.; establish an employee stock trust to enhance employee welfare and provide a comprehensive retirement plan. Set up complaint channels to maintain smooth communication between labor and management team, and promptly understand and handle any human rights violations.
Environment	Greenhouse gas and energy management	Conduct regular inventory checks on greenhouse gas emissions every year, hold the situation and execute reduction operations plans, and pay attention to the use of various energy resources, regularly evaluate and review and improve.
	Environmental pollution prevention and management.	Monitor the temperature and air volume of the operating equipment online; inspect the equipment components every quarter, and arrange personnel for random sampling in the factory from time to time to reduce the possibility of VOCs escaping into the atmosphere. Effectively implement equipment maintenance to ensure that all equipment can perform at its best, and implement pollution prevention.

3.4.6 Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	<u>Yes</u>	<u>No</u>	Summary description	
1. Establishment of ethical corporate management policies and programs (1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team? (2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies? (3) Does the company clearly set out the operating procedures behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	V		1. The company has established a "Code of Ethics" (published on the company website) and related internal regulations that clearly state the company's policy and practices of operating with integrity, as well as the commitment of the board of directors and management to actively implement the business policy. 2.The company has established a "Code of Ethics" that explicitly prohibits the acceptance of any gifts, special treatment, or other improper benefits directly or indirectly. Through the establishment of principles and systems, we effectively prevent the possibility of dishonest behavior and reduce risks. We also have a "Grievance System" to encourage both internal and external personnel to report any misconduct and ensure the legal rights of Grievance and related parties. 3.Persons who violate ethical integrity will be subject to disciplinary measures according to the company's reward and punishment system. The company has established a "Grievance System," and the audit department is responsible for establishing internal and external reporting channels and handling procedures, reviewing and tracking the latest legal regulations at all times, to thoroughly implement.	No
2. Ethical Management Practice (1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts? (2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation? (3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies? (4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits? (5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	V		1. Before engaging in any business activities, the company conducts customer due diligence and supplier evaluations to avoid trading with dishonest companies. 2.The company's Integrity Management Promotion Team is responsible for formulating and supervising the implementation of corporate integrity management policies and prevention programs. They report to the board of directors annually, and the integrity management execution for the year 2022 was reported on November 9, 2022. 3. Regarding the conflict of interest, employees can report to their immediate department supervisor or directly to their unit supervisor. 4.The company has established effective accounting and internal control systems, and the internal audit unit regularly checks the compliance with the aforementioned systems. 5.The company promotes and educates employees on the company's integrity management philosophy and regulations through department meetings, seminars, and other means of communication.	No
3. Implementation of Complaint Procedures (1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers? (2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and	V		1.The company provides channels and regulations for making relevant statements, and designates appropriate personnel to handle reported cases. 2. All documents and information related to the reported cases are treated as confidential by the company, and those involved in the handling	No

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	<u>Yes</u>	<u>No</u>	Summary description	
mechanisms ensuring such complaints are handled in a confidential manner? (3) Has the company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?	V		process are responsible for maintaining complete confidentiality. 3.The company is responsible for keeping the identity of Grievance confidential and will not take any disciplinary action against them for reporting.	
4. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	V		“Code of Conduct for Business Integrity” is disclosed on the website.	No
5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: No				
6. Other important information to facilitate a better understanding of the status of operation of the company’s ethical corporate management policies (e.g., the company’s reviewing and amending of its ethical corporate management best practice principles): 1. The company adheres to the business philosophy of "integrity, professionalism, and sustainable management," and strictly comply with relevant laws and regulations such as the Company Act, Securities and Exchange Act, and Commercial Accounting Act to fulfill the basic premise of operating with integrity. 2.The company has established the "Procedure for Handling Important Internal Information" to clearly state that our directors, supervisors, managers, and employees are prohibited from inquiring or collecting non-work-related undisclosed internal information from individuals who have knowledge of important internal information of the company. They are also prohibited from disclosing any undisclosed internal information that they become aware of through their work to others who are not authorized to know.				

3.4.7 The corporate governance rules and related regulations are disclosed on website www.qualipoly.com.tw

3.4.8 Other information of the Company's corporate governance operations: please refer on www.qualipoly.com.tw or www.mops.tse.com.tw

3.4.9 The implementation status of the internal control system.

1. Statement of internal control

Qualipoly Chemical Corp. Statement of Internal Control System

Date : Mar.09, 2023

The company hereby declare the following based on the results of our self-evaluation of the internal control system established for year 2022:

1. The company acknowledges that it is the responsibility of the board of directors and management to establish, implement, and maintain the internal control system, and the company has established this system. The purpose is to provide reasonable assurance for achieving the goals of operational effectiveness and efficiency (including profitability, performance, and asset security), reliable reporting, timely, transparent, and compliance with relevant regulations and laws.
2. The internal control system has inherent limitations and no matter how well designed, can only provide reasonable assurance for achieving the above three goals. Moreover, the effectiveness of the internal control system may change due to changes in the environment and circumstances. However, the company's internal control system has a mechanism for self-monitoring and corrective action is taken once a deficiency is identified.
3. The company evaluates the effectiveness of the internal control system based on the judgment items specified in the "Guidelines for Publicly Listed Companies to Establish Internal Control Systems" (hereinafter referred to as the "Guidelines"). The judgment items adopted in the "Guidelines" divide the internal control system into five components: 1. Control environment, 2. Risk assessment, 3. Control procedures, 4. Information and communication and 5. Monitoring activities. Each component also includes several items. Please refer to the provisions of the "Guidelines" for the above items.
4. The company has adopted the above judgment items for the internal control system and evaluated the effectiveness of the design and implementation of the internal control system.
5. Based on the evaluation results in the previous item, the company believes that the internal control system (including the supervision and management of subsidiaries) as of December 31, 2022, for understanding the degree of achieving operational effectiveness and efficiency goals, reporting is reliable, timely, transparent, and compliance with relevant regulations and laws, the design and implementation of the internal control system are effective and can reasonably ensure the achievement of the above goals.
6. The statement will become the main content of the company's annual report and public disclosure statement, and will be made public. If the disclosed content contains false or concealed illegal matters, it will involve legal responsibilities such as Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
7. The statement was approved by the company's board of directors on March 9, 2023. Among the 9 directors in attendance, 0 opposed, and the rest agreed to the content of this statement.

Qualipoly Chemical Corp.

Chairman : Tsai Yeou Liang

General manager : Wang Hai Chen

2. Commissioned accountants review the internal control system. No report should be disclosed.
- 3.4.10 In recent years and up to the date of the Annual Report, if the Company and its employees have been punished by law, or if the employees has punished for violating internal control regulations, and the punishment result may have a significant impact on shareholder equity or securities prices, the details of the punishment, the main deficiencies, and the improvement situation should be disclosed. No case is available.
- 3.4.11 Important resolutions made by the shareholders' meeting and the Board of Directors during the current and previous fiscal year up to the date of the annual report printing.
1. Resolutions and Implementation Status of Resolutions in Shareholders' Meeting

Date	Resolutions Matters	Implementation Status of Resolutions
May.30, 2022 (Regular meeting)	1. Approve the business report and financial statements of the Company for the year 2022 2. Approve the profit distribution of the Company for the year 2021 3. Adopt the partial amendment of the Company's Articles of Incorporation. 4. Adopt the partial amendment of the Company's Rules of Procedure for Shareholders Meeting. 5. Adopt the partial amendment of the Company's Procedures for Acquiring or Disposing of Assets.	1. The relevant registers have been filed with and announced to the competent authorities in accordance with the relevant laws and regulations such as the Company Act. 2. The cash dividend of NT\$2.2 per share has been distributed as proposed. The cash dividend was paid on July 22, 2022. 3. The resolution was passed at the 2022 annual shareholders' meeting and the registration of the change was completed on June 13, 2022 (letter No. 11101102000 from the Ministry of Economic Affairs) and announced on the company's website. 4. The revised procedures will take effect after the resolution of the shareholders' meeting, and will be executed according to the revised procedures, and announced on the company's website and Taiwan Stock Exchange Market Observation Post System. 5. The revised procedures will take effect after the resolution of the shareholders' meeting, and will be executed according to the revised procedures, and announced on the company's website and Taiwan Stock Exchange Market Observation Post System.

2. Important Resolutions of the Board of Directors

Session	Date	Important Resolutions	Results
The 10 th meeting of the 17 th board of directors	May.10, 2022	1. Financial statements for the first quarter of 2022 2. Proposal to establish a foundation as a legal entity for the company. 3. Revise the "Internal Control System - Production Cycle" section of the company's policies regarding warehouse operations.	1. All directors present unanimously passed the resolutions. 2. All directors present unanimously passed the resolutions. 3. All directors present unanimously passed the resolutions.
The 11 th meeting of the 17 th board of directors	Aug.09, 2022	1. Change the company's accountant and the independent evaluation of accountant's independence. 2. Financial statements for the second quarter of 2022 3. Transportation allowance for director Gao Hong Rong.	1. All directors present unanimously passed the resolutions 2. All directors present unanimously passed the resolutions 3. All directors present unanimously passed the resolutions
The 12 th meeting of the 17 th board of directors	Nov.09, 2022	1. Financial statements for the third quarter of 2022 2. Appointment of Deputy General Manager 3. Deliberation of the year-end bonus for the company's managerial officers 4. Increase in the credit loan limit for the company 5. Audit plan for the company in 2023 6. Revision of "Rules of Procedure for Board of Directors Meetings"	1. All directors present unanimously passed the resolutions 2. All directors present unanimously passed the resolutions 3. All directors present unanimously passed the resolutions 4. All directors present unanimously passed the resolutions 5. All directors present unanimously passed the resolutions 6. All directors present unanimously passed the resolutions
The 13 th meeting of the 17 th board of directors	Feb.03, 2023	Signed the sales contract with IGM GROUP B.V.	All directors present unanimously passed the resolutions
The 14 th meeting of the 17 th board of directors	Mar.09, 2023	1. 2022 Employee Remuneration and Director Remuneration Proposal 2. Proposal for the Director Remuneration and Employee Remuneration for the year 2022 3. 2022 Annual Business Report and Financial Statements 4. Profit Distribution for the year 2022 5. Appointment of signing accountants and Assessment of their Independence and Competence, and Proposal of their Remuneration 6. Proposal for the 2023 Annual Shareholders' Meeting, Shareholders' Proposal Rights, and Director Nomination, among other matters	1. All directors present unanimously passed the resolutions 2. All directors present unanimously passed the resolutions 3. All directors present unanimously passed the resolutions 4. All directors present unanimously passed the resolutions & distribute cash dividend NT\$1.9 5. All directors present unanimously passed the resolutions 6. All directors present unanimously passed the resolutions; Schedule to hold shareholder's meeting on Jun.08, 2023, and the period for

Session	Date	Important Resolutions	Results
		7. Comprehensive Election of Directors 8. Nominating Candidates for the 18th Board of Directors (including Independent Directors) of the Company 9. Lift Restriction for Newly Appointed Directors 10. 2023 Annual Budget 11. 2022 Internal Control System Statement 12. 2023 Bank Credit Loan Limit 13. Increase the Company's Credit Loan Limit 14. Revise Certain Articles of the Company's Corporate Governance Practices 15. Revise Certain Articles of Rules of Procedure for Board of Directors Meetings.	accepting proposals is from March 31 st to April 11 th , 2023 7. All directors present unanimously passed the resolutions 8. All directors present unanimously passed the resolutions 9. All directors present unanimously passed the resolutions 10. All directors present unanimously passed the resolutions 11. All directors present unanimously passed the resolutions 12. All directors present unanimously passed the resolutions 13. All directors present unanimously passed the resolutions 14. All directors present unanimously passed the resolutions 15. All directors present unanimously passed the resolutions

3.4.12 In the recent year and up to the date of printing this annual report, there were no records or written statements from directors or supervisors expressing disagreement with important resolutions passed by the Board of Directors.

3.4.13 In the recent year and up to the date of printing this annual report, there is no dismissals of the chairmans, general manager, accounting director, finance director, internal audit director, corporate governance director, and R&D director.

3.5 Information on the professional fees of the CPAs

Company	Accounts' name	Audit period	Audit fee	Non-audit fee	Total Amount	Remark
PwC Taiwan	Tien Chung Yu	Jan.-Dec., 2022	2,730	710	3,440	Non-audit fee includes 1. Fiscal and tax advances expense: NT\$200,000 2. Travel and document expenses for audit: NT\$ 20,000 3. Transfer Pricing Compliance: NT\$190,000 4. The public expense for a sustainability report: NT\$200,000 5. The registration service for foundation: NT\$100,000
	Lin Tzu Yu	Jan.-Jun., 2022				
	Yeh Fang Ting	Jul.-Dec., 2022				

3.5.1 No decrease in audit fees for the current year compared to the previous year when changing accounting firms.

3.5.2 No decrease of 10% or more in audit fees compared to the previous year.

3.6 Information on replacement of certified public accountant

3.6.1 About pre-accountant

3.6.1 About pre accountant			
Date of change	Approved by the Board of Directors on August 9, 2022.		
Reason for the change and explanation	Originally, the 2 accountants were Tien Chung Yu and Lin Tzu Yu from PWC Taiwan. Due to the internal administrative reorganization of the firm, the responsibility has been transferred to 2 other accountants, Tien Chung Yu and Yeh Fang Ting.		
Explain whether it was due to the appointer's or accountant's termination or the accountant's declination of the appointment	Party		
	Condition	Accountant	appointer
	Voluntary termination of the appointment.	Not applicable	Not applicable
	Declination of the appointment	Not applicable	Not applicable
Issuance of reports with opinions other than unreserved opinions in the last two years and the reasons	None		
Is there any disagreement with the issuer?	Yes		Accounting principles or practices
			Disclosure of financial report
			Audit scope or step
			Others
	No	✓	
	Explanation		
The disclosure requirements for the fourth to seventh items of the first objective of the sixth paragraph of Article 10 of the regulation	None		

3.6.2 About the succeeding accountant

CPA firm	PWC Taiwan
Accountant's name	Yeh Fang Ting
Date of appointment	Aug.09, 2022
Consultation and results regarding the accounting method or principles for specific transactions and the opinions issued in the financial statements before the appointment.	Not applicable
Written opinions of the succeeding accountant of the different opinions of the previous accountant.	Not applicable

3.6.3 Response letter from the previous accountant on the matters related to 3 items in Article 10, paragraph 6, subparagraph 1 & 2: Not applicable.

3.7 Where the Company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise: None.

3.8 Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

3.8.1 Changes in the shareholding of directors, supervisors, managers, and major shareholders.

Unit: shares

Job title	Name	2022		Till to Apr.10, 2023	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Chairman	Tsai Yeou Liang	0	0	0	0
Director	Gao Hong Rong	0	0	0	0
Director and General manager	Wang Hai Cheng	0	0	0	0
Director	Chiu Nu Chu	0	0	0	0
Director	ChaoJian Investment Corporation Limited	0	0	0	0
	Rep : Tsai Chih Hsiang	3,000	0	0	0
Director	Hong Ren Investment Corporation Limited	0	0	0	0
	Rep : Hsu Po Wei	0	0	0	0
Independent director	Chung Feng Yuan	0	0	0	0
Independent director	Weng Cheng Cheng	0	0	0	0
Independent director	Chen Chi Lin	0	0	0	0
Deputy general manager Rep. of corporate director	Tsai Chih Hsiang	0	0	0	0
Deputy General Manager of Sales Dept.	Chen Tai Chang	0	0	0	0
Assistant & R&D Manager	Hsieh Chun Chieh	0	0	0	0
Factory Manager of Yongan Plant	Huang Seng Wen	0	0	0	0
Senior manager of financial Dept.	Ho Yin Tang	0	0	0	0

Note: No shareholder holding more than 10 percent of the Company's total share capital

3.8.2 Share Trading Information: None

3.8.3 Share pledge Information: None

3.9 Relationship information of the Company's 10 largest shareholders

Apr.10, 2023

Name	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree		Remarks
	Shares	%	Shares	%	Shares	%	Shares	%	
ChaoJian Investment Corporation Limited	9,759,757	9.76%	Not applicable	Not applicable	Not applicable	Not applicable	Tsai Yeou Liang	Chairman of ChaoJian Investment Corporation Limited	
Rep : Tsai Chih Hsiang	3,858,633	3.86%	1,000,530	1.00%	0	0.00%	Tsai Kun Ta	1 st Class	
							Tsai I Chen	1 st Class	
Tsai Yiou Liang	3,858,633	3.86%	1,000,530	1.00%	0	0.00%	ChaoJian Investment Corporation Limited	Chairman	
							Tsai I Chen	1 st Class	
							Tsai Kun Ta	1 st Class	
Tsai Kun Ta	2,865,692	2.87%	1,338,644	1.34%	0	0.00%	Tsai Yeou Liang	1 st Class	
							Tsai I Chen	2 nd relative	
Wu Lai Cheng	2,250,000	2.25%	0	0.00%	0	0.00%	No	No	
Tsai I Chen	2,000,242	2.00%	0	0.00%	0	0.00%	Tsai Yeou Liang	1 st Class	
							Tsai Kun Ta	2 nd relative	
Yen Pi Chuan	1,863,383	1.86%	0	0.00%	0	0.00%	No	No	
Yongyou Investment Co., Ltd	1,745,482	1.75%	Not applicable	Not applicable	Not applicable	Not applicable	No	No	
Rep : Huang Yi Hsin	66,211	0.07%	0	0.00%	0	0.00%	No	No	
He Guang Investment Co., Ltd	1,673,833	1.67%	Not applicable	Not applicable	Not applicable	Not applicable	No	No	
Rep : Hsu Yuan Chen	0	0.00%	0	0.00%	0	0.00%	No	No	
Chiu Nu Chu	1,476,300	1.48%	76,234	0.08%	0	0.00%	No	No	
Rong Hao Investment Co., Ltd	1,386,728	1.39%	Not applicable	Not applicable	Not applicable	Not applicable	No	No	
Rep : Tsai Ming Tsung	0	0.00%	0	0.00%	0	0.00%	No	No	

3.10 The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company.

Mar.31, 2023 Unit: share, %

Re-invested businesses	The Company's investment		Directors, Supervisors, Managers directly or indirectly investment controlled by the Company		Total shareholding	
	Shareholding	Shareholding%	Shareholding	Shareholding%	Shareholding	Shareholding%
Qualipoly International Inc.	8,730,000	100	0	0	8,730,000	100
Chao Chien International Inc.	2,169,000	100	0	0	2,169,000	100
Chaoyang International Inc.	0	0	9,805,738	100	9,805,738	100
Qualipoly Technology (Guang Dong) Corp.	0	0	No shareholding as it is a limited company	100	No shareholding as it is a limited company	100
Qualipoly Technology (Kun Shan) Corp.	0	0	No shareholding as it is a limited company	100	No shareholding as it is a limited company	100
Qualipoly Technology (Shang Hai) Corp.	0	0	No shareholding as it is a limited company	100	No shareholding as it is a limited company	100
Dongguan Cho You New Material Co., Ltd	0	0	No shareholding as it is a limited company	100	No shareholding as it is a limited company	100

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Share Capital

1. Type of stock

Apr.10, 2023

Type of stock	Authorized Capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered Common Stock	100,009,159 Shares	19,990,841 shares	120,000,000 shares	Listed stocks

2. Sources of Capital

Apr.10, 2023 Unit : NT\$; shares

Month year	Issued prices	Authorized Capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Capital paid in by assets other than cash	Other
Aug, 2018	10	120,000,000	1,200,000,000	100,009,159	1,000,091,590	capital increase out of earnings NT\$ 47,623,410	No	License No. 10701095770 granted on August 3, 2018
Apr. 2016	30	96,000,000	960,000,000	95,246,818	952,468,180	capital increase out of earnings NT\$ 70,000,000	No	License No. 10201039510 granted on Apr.13, 2016

3. Information on the Consolidated Declaration System : No.

4.1.2 Status of Shareholders

Apr.10, 2023 Unit : shares ; %

Shareholder composition Quantities	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions and foreign individuals	Total
No. of shareholders	0	4	48	9,374	55	9,481
No. of shares held	0	75,663	21,146,148	71,394,043	7,393,305	100,009,159
Shareholding ratio	0.00	0.08	21.14	71.39	7.39	100
Note: shareholding ratio of Mainland Chinese investors: 0%						

4.1.3 Shareholding Distribution Status

1.Common Stock:

Apr.10, 2023 Unit : shares ; %
(每股面額 10 元)

Range of no. of shares held	No. of shareholders	Shareholding (Shares)	Shareholding (%)
1~ 999	4,656	278,679	0.28
1,000~ 5,000	3,326	6,942,581	6.94
5,001~ 10,000	653	4,914,904	4.92
10,001~ 15,000	226	2,782,842	2.78
15,001~ 20,000	122	2,232,994	2.23
20,001~ 30,000	139	3,444,409	3.45
30,001~ 40,000	76	2,701,226	2.70
40,001~ 50,000	39	1,764,549	1.76
50,001~ 100,000	106	7,628,763	7.63
100,001~ 200,000	71	9,494,076	9.49
200,001~ 400,000	28	8,007,741	8.01
400,001~ 600,000	12	6,049,653	6.05
600,001~ 800,000	8	5,533,553	5.53
800,001~ 1,000,000	5	4,640,145	4.64
Above 1,000,001	14	33,593,044	33.59
Total	9,481	100,009,159	100

2.Preferred Stock : No

4.1.4 List of Major Shareholders

Apr.10, 2023 Unit : Shares ; %

Shares Name of major shareholders	Shareholding (shares)	Shareholding (%)
ChaoJian Investment Corporation Limited	9,759,757	9.76
Tsai Yeou Liang	3,858,633	3.86
Tsai Kun Ta	2,865,692	2.87
WuLai Cheng	2,250,000	2.25
Tsai I Chen	2,000,242	2.00
Yen Pi Chuan	1,863,383	1.86
Yongyou Investment Co., Ltd	1,745,482	1.75
He Guang Investment Co., Ltd	1,673,833	1.67
Chiu Nu Chu	1,476,300	1.48
Rong Hao Investment Co., Ltd	1,386,728	1.39

4.1.5 The Share's Market Price, Net Worth, Earnings and Dividend Policy for the Past Two Years

Unit: NT\$

Item \ Year		2021	2022	As of Mar.31, 2023 (Note 8)
Share's Market Price (Note 1)	Highest	49.00	47.90	36.10
	lowest	28.60	31.30	33.40
	Average	36.83	38.26	34.91
Share's Net Worth (Note 2)	Before distribution	27.83	29.06	27.20
	After distribution	25.63	27.16	27.20
Earnings per share	Weighted average number of shares	98,500	100,009	-
	Earnings per share (Note 3)	3.73	3.15	-
Dividend per share	Cash dividend	2.2	1.9	-
	Bonus shares	Retained Earnings	-	-
		Additional Paid-In Capital	-	-
	Accumulated unpaid dividends (Note 4)		-	-
Investment return analysis	Price / Earnings ratio (Note 5)		9.87	12.15
	Price / Dividend ratio (Note 6)		16.74	20.14
	Cash dividend yield rate (Note 7)		0.06	0.05

* If there is a stock dividend issued by increasing capital from retained earnings or capital surplus, the information on the adjusted market price and cash dividends based on the number of shares issued should be disclosed.

Note 1: List the highest and lowest market prices of common shares for each year, and calculate the average market price for each year based on the trading value and trading volume for each year.

Note 2: Take the number of shares issued at the end of the year and fill in the column according to the distribution resolution of the Board of Directors or the next year's shareholders' meeting.

Note 3: If there is retrospectively adjust due to Bonus shares, the earnings per share before and after adjustment should be listed.

Note 4: If there are provisions in the conditions of equity securities issuance that any undistributed dividends in the current year will be accumulated and paid out in a year with profits, the accumulated unpaid dividends up to the current year should be disclosed separately.

Note 5: P/E ratio = Average closing price per share for the year / Earnings per share.

Note 6: P/D ratio = Average closing price per share for the year / Cash dividend per share.

Note 7: Cash dividend yield rate = Cash dividend per share / Average closing price per share for the year.

Note 8: Share's net worth and earnings per share should be filled with the data reviewed by the accountant in the most recent quarter up to the date of printing of the annual report. The remaining fields should be filled with data from the current year up to the date of printing of the annual report.

Note 9: The profit distribution for 2022 has been approved by the board of directors meeting on Mar.09, 2023

4.1.6 Dividend Policy and Implementation Status

1. Dividend Policy

If the Company makes a profit before tax in the year, 1% to 1.5% shall be allocated for employee remuneration, which will be distributed in stock or cash based on the decision of the Board of Directors. No more than 3% of the profit shall be allocated for director remuneration. The remuneration for employee and directors shall be reported to the shareholders' meeting.

However, when the Company has accumulated losses, it should reserve the amount to make up the losses first, and then allocate employee remuneration and director remuneration according to the above ratio.

If the Company has profits in its annual financial year, it shall pay taxes in accordance with the law, make up for accumulated losses, then allocate 10% as legal reserve. However, if the legal reserve has reached the Company's paid-in capital, it may not be allocated anymore. The remaining amount shall be allocated special reserve according to the laws and regulations or distributed together with accumulated unappropriated earnings. The Board of Directors shall propose a profit distribution plan for the remaining amount and submit the bonus dividend determined by shareholders' meeting.

The dividend policy is formulated based on the consideration of the industry environment, financial planning and the sustainable and stable development of the Company, as well as ensuring the maximum shareholders' equity. The policy is proposed as follows:

(1) Conditions and timing for distributing dividends:

Currently, the Company is stable and in order to support the growth of the business, the dividend distribution is based on satisfaction of future operational development. After considering a sound financial structure, stable dividends, and reasonable returns for shareholders, the Board of Directors will propose a retained earnings plan in accordance with the Company's articles. The plan will be distributed after approval of the shareholders' meeting and authorities.

(2) Distribution ratio of cash dividends and stock dividends:

Shareholder dividends are distributed through cash dividends and stock dividends. The proportion of cash dividends is more than 20% of the total shareholder dividends. However, if the cash dividend per share is less than NT\$0.5 (inclusive), it may be distributed in the form of stock dividends instead.

The actual distribution ratio will be determined by the Board of Directors based on the Company's financial situation and capital budget.

(3) The Company authorizes the Board of Directors to distribute dividends, capital surplus, or legal reserve surplus in whole or in part by means of cash payment subject to the passing of a resolution by at least 2/3 the directors present and a majority of the attending directors, and to report to the shareholders' meeting.

2. The implementation is follows:

The board of directors meeting passes on Mar.09, 2023 to issue cash dividend of NT\$1.9 per common stock, amounting to NT\$190,017,402

4.1.7 The proposed bonus stock distribution will not have any impact on the Company's business performance or earnings per share.

4.1.8 Employee's and director's remuneration

1. Percentage or range of employee and director remuneration by company's articles:

As company's articles of Incorporation, if the Company makes a profit before tax in the year, 1% to 1.5% shall be allocated for employee remuneration, which will be distributed in stock or cash by decision of the Board of Directors. The Board of Directors may also decide to allocate up to 3% of the profit as director remuneration. The remuneration to employee and director should be reported to the shareholders' meeting.

2. Basis for estimating the amount of employee and director remuneration, basis for employee remuneration distributed in stocks, and accounting treatment for any differences between the estimated amount and the actual distribution amount:
 - (1) Employee remuneration is estimated to be 1% to 1.5%.
 - (2) Director remuneration is not more than 3%
 - (3) If there is any difference between the actual distribution and the estimation, it will be treated as an estimate change and adjusted in the next fiscal year's income statement.
3. The approved remuneration distribution by the Board of Directors:
 - (1) The amount of employee and director remuneration distributed in cash or stocks. If there is any difference between the estimated and the actual amount, the difference, reason, and solution should be disclosed
The remuneration to employee and director was approved by the Board of Directors on March 9, 2023
 - a. Employee remuneration : NT\$5,312,500
 - b. Remuneration to director : NT\$10,625,480
 - c. There is no difference between the number of shares distributed for employee remuneration and remuneration to director and the estimated amount.
 - (2) The proportion of employee remuneration distributed in stocks and its ratio to the after-tax net profit of the individual or separate financial statements and the total amount of employee remuneration: As the Company adopts cash dividends, this is not applicable.
4. Actual distribution of employee and director remuneration in the previous year (including the number of shares, amount and share price) and any differences from the recognized employee and director remuneration should be explained the difference amount, reason, and solution:
 - (1) Employee and director remuneration distribution are approved by the Board of Directors on March 9, 2022:
 - a. Employee remuneration: NT\$6,563,000.
 - b. Director remuneration: NT\$13,126,000.
 - (2) No difference between the distribution and estimated amount of employee director remuneration.

4.1.9 Buyback of Treasury Stock: None

4.2 Corporate Bonds: None

4.3 Preferred Shares: None

4.4 Overseas Depositary Receipts: None

4.5 Employee Stock Options

Apr.10, 2023

Type of employee share subscription warrants	The 1 st of employee share subscription warrants
Effective registration date and total number of units	Dec. 24, 2021 3,000 units (3,000,000 shares)
Issue (handling) date	Dec.21, 2022
Number of units issued	3,000 units (3,000,000 shares)
Number of units still available for issuance	0 share
Ratio of the number of issued subscribable shares to the total number of issued shares	3.0%
Duration	4 years
Exercise method	Issue new shares
Vesting period and percentage (%)	Expires 2 years 100%
Number of shares subscribed through exercise of warrants	0 share
Amount of the shares subscribed through exercise of the warrants (NT\$)	NT\$ 0
Number of unexercised shares	3,000,000 shares
Subscription price per share of the unexercised shares	34.00
Ratio of the number of unexercised shares to the total number of issued shares (%)	0
The effect on shareholders' equity	The company's stock option holders may exercise their stock options certificates according to the schedule specified in the regulations only after two years from the issuance of the employee stock option. The number of shares subscribed to shall not exceed 3% of the total issued shares and shall not have any material impact on the shareholders' equity.

4.6 Status of Employee Restricted Stock: None

4.7 Issuance of New Shares for Acquisition or Exchange of Other Companies' Shares: None

4.8 Financing Plans and Implementation

The Company has no outstanding issued securities or has been completed but the profit has not yet been realized within the past 3 years.

V. Operational Highlights

5.1 Business Activities

5.1.1 Scope of Business

1. Major Business:

- a. Manufacturing, processing, and sales of various industrial synthetic resins and other related chemical materials.
- b. Import and export of various industrial synthetic resins.
- c. Buying/selling and import/export of various raw materials for artificial resins.

2. Ratio of Business

Ratio of major products in 2022

Description	single %	Consolidated %
UV Curable Resins	65	60
Unsaturated polyester resins	22	21
Coating resins	10	16
Others	3	3
Total	100	100

3. Current major products:

- a. Unsaturated polyester resins
- b. UV Curable Resins monomers and oligomer
- c. Coating resins
- d. Acrylic emulsion resins
- e. Amino resins
- f. PU resins
- g. Foundry resins

4. Planned scope of development

- a. vacuum resin
- b. Metal industry adhesive
- c. Environmentally friendly new generation process curable monomer
- d. High-end ink and specialty coating curable material.
- e. 3D printing curable material
- f. Curable soil remediation material.
- g Green and environmentally friendly bio materials.
- h. 5G material-related resin
- i. SMA-related application resin.
- j. Water-based resin for industrial adjuvants.

5.1.2 Industry Overview

5.1.2.1. Industry Status

Synthetic resin is an artificially synthesized polymer that is one of the most widely produced, the largest output, and the most widely used products in the petrochemical industry. It has widely applied from high-precision industries such as semiconductors, display materials, and medical materials to daily necessities such as paints, building materials, buttons, and so on. Taiwan's petrochemical industry is well-developed, and major petrochemical products such as monomers, solvents, industrial chemicals, and specialty chemicals can be produced. Easy to get raw material domestically and competitive prices create a favorable environment for the development of the synthetic resin industry.

In the past few decades, due to cost and market, numbers of Taiwan's mid- to downstream industries have moved to China and Southeast Asia which results that synthetic resin industry produced synthetic resin is mainly exported and the domestic market in Taiwan continues to shrink. It wasn't until recent years, with the US-China trade war and changes in the regional economic landscape, that there have been signs of a reversal in domestic market demand.

In recent years, the global supply chain has undergone significant changes due to Covid-19. Taiwan's chemical product export has performed well due epidemic was controlled well in Taiwan and complete upstream raw material production lines domestically. However, in the post-epidemic era, the global economy has undergone dramatic changes, and the ongoing conflict between Russia and Ukraine, the epidemic control in China, and the European energy shortage crisis have led to an acceleration of adverse economic growth. From the second half of 2022, the global economy tightened, and the rapid decline in end demand led to full inventory in various industries from top to bottom, and the disposal of high-priced inventory became the most urgent problem for manufacturers.

Our main product, UV curable materials, has a clear growth trend in market demand due whole world focus on environmental protection and green energy. In the past, the supply chain was mainly concentrated in China and the Asia-Pacific region. However, with the uncertainty by the US-China trade war and China's industrial policies, the supply chain reshuffling has become apparent. We are in the "non-China supply chain" which gives us a significant advantage in exporting to Europe and the United States. On the other hand, the performance of traditional resin products has been lackluster due to the impact of the global economy and regional economic models. When the global economy recovers and drives overall demand, it will be probably reversed.

(1) Unsaturated polyester resins

Unsaturated polyester resin is one of the main raw materials for basic industries, and is mainly used in composite materials (FRP, SMC, BMC), injection molding, artificial marble, buttons, and coatings. The market demand is closely related to the overall economic development. In recent years, the economic development of Southeast Asia and Central Asia has driven the market demand of such resins.

Due it is not easy to store unsaturated polyester resin, this type of resin is more regionalized and has advantages in production management for local or regional manufacturers. Therefore, in recent years, there have been many new production capacities in Southeast Asian to cope with the increasing market demand. In addition, since general unsaturated polyester resin has a large market volume, its profitability performance is usually highly correlated with the main raw material

market. Since the oil price has fallen from its peak, the profitability of the unsaturated polyester resin has been able to maintain a certain level.

The company has been deeply cultivating the market in this product category for a long time. Currently, we focus on the Asia-Pacific region (APAC). In addition to the Southeast Asian market, Australia and Japan are also the main export markets. We have first-class competitive strength in terms of product quality, technics, brand reputation, and customer service

(2) UV Curable Materials

As the name suggests, UV curable materials have the characteristic of curing and forming when exposed to UV light, therefore are regarded as one of the green energy-saving materials. In recent years, due to the rise of environmental awareness in the world, each country has increasingly strict regulations on VOC emissions, and the development of UV-curing materials in various applications has grown year by year. In addition, more and more manufacturers invest in the development of new materials, the market has significant progress in terms of cost and application.

These types of materials have 5 major application markets: various printing inks, wood coatings, industrial coatings, and electronic materials. The current total market demand is approximately 600,000 tons/year (2017), with a five-year annual growth rate about 7.4% (CAGR, 2017~2022). The Asia-Pacific market (including China) has the largest share and the highest growth, followed by Europe and the Americas.

On the supply side, Japanese and European manufacturers have developed early in this field and are important benchmarks for this industry. Japanese manufactures mainly supply the high-end industrial coatings and electronic materials and European manufacturers dominate the ink and wood coatings markets. Korean and Chinese manufacturers have been catching up in recent years and have gradually occupied a position in major markets.

We have more than ten years of experience in developing UV curable materials, and has gained recognition from customers worldwide in terms of technics and quality service. Currently, we market our products under the brand of Qualicure™ brand over 40 countries around the world, with an average market share in major markets around the world (APAC, EMEA, America), and have the foundation for long-term development.

Due to the continuous growth of UV curable materials, we launched a new factory last year and established a new production base for UV curable materials in Tainan Technology Industrial Park. We will introduce the latest production technology and reflective equipment and expect effectively improving production efficiency. The new Tainan factory is expected to start production in mid-2024, and the total production capacity of UV curable materials will increase to 50,000 tons in the future.

(3) Coatings and other industrial resins

There are various types of traditional solvent-based coating resins, including alkyd resins, polyester resins, acrylic resins, epoxy resins, and amino resins. The applications range from low-end self-drying wall paint and wood paint, to mid-range industrial metal and plastic coating, to high-end automotive paint and anti-corrosion paint, it has significant market value in total. According to a professional market research report by Marketsand Markets, the global value of coating resins is expected to reach USD 38 billion by 2020, with a compound

annual growth rate (CAGR) of 5.61% from 2015 to 2020.

The low and middle end paint resins are one of the basic materials in the civilian industry, with a large quantity but low technics. Profits are greatly affected by fluctuations in raw material costs, so the market supply and demand are mainly regional. High-end coatings prioritize its characteristics, with better profits but are difficult to integrate into customer's existing supply chains. The testing period of product is also longer, hence the companies with brand awareness and abundant resources are relatively more advantageous

We have primarily focused on producing low and mid-end coatings and resins, and has a significant market share and brand recognition in Southeast Asia and Australia. Recently, our R&D gradually focus on producing high-end industrial coatings and environmentally-friendly resins, aiming to enhance the overall commercial value of our product portfolio.

5.1.2.2 Trend of future development

(1) Unsaturated polyester resins

- a. Overall market demand is expected to continue growing. The industrialization and economic development in emerging countries in Southeast Asia will drive the increasing demand for unsaturated polyester resin. US-China trade war and the shift of global manufacturing centers will boost the demand for unsaturated polyester resin in emerging markets.
- b. The demand of high-performance and high value-added unsaturated polyester resins will grow rapidly. The demand of high-performance FRP composite materials and high-end applications, such as the lightweight construction for light rail transit, ships and vehicles, wind power blades, etc., has driven the development of unsaturated polyester resins towards low viscosity, low exothermic peak, high strength, high fatigue resistance, and high flame retardancy. The lightweight construction also drives the development of low-density, injection-grade SMC/BMC resins. In addition, high-performance unsaturated polyester resins will be chosen for non-excavation tank repair, double-walled underground oil storage tanks, ground gas storage stations, offshore oil drilling platforms, container panels, high-speed law enforcement boats, patrol boats, fishing boats, offshore wind power, and desalination of seawater, etc.
- c. The demand for environmentally friendly resins will gradually increase. Low VOC emissions have gradually become a universal standard, and environmentally friendly unsaturated polyester resins with low or no styrene (SM) emissions can match with general resins now. If the cost can be gradually improved in the future, it will contribute to the overall development of related industries.

(2) UV curable materials

- a. Energy saving and carbon reduction are global issues of concern, and the application of UV curable materials will continue increasing, gradually replacing the market of solvent-based materials.
- b. On the technological side, more and more new types of monomers and resins are being introduced to the market, which enhances the performance and cost optimization of UV curable materials and promote rapid development of the industry.

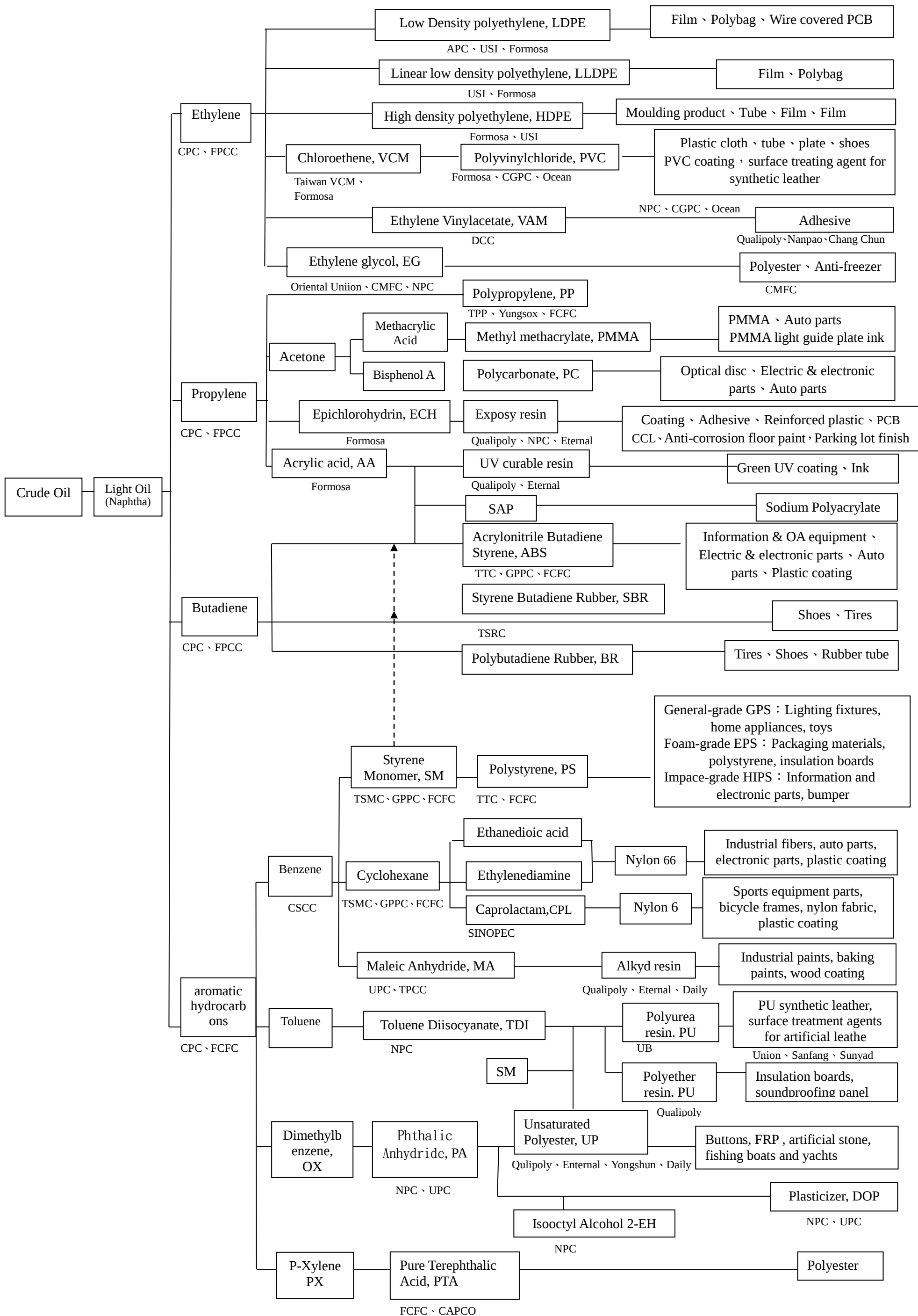
- c. The supply of photo initiator is no longer in shortage, which helps the overall development of the UV curable material industry.
- d. Water borne UV curable materials gradually gain the attention in the market. Technological breakthroughs have greatly promoted the growth in the field of coatings. In addition, the increasingly strict control of VOCs in each country makes promising in the future development.
- e. In recent years, new chemical regulations such as REACH enacted by each country have affected the use of UV curable monomers in formulations, especially for specialty monomers. In the future, industry development will focus on less restricted high polymers.
- f. With the booming development of the electronics industry, the demand for UV curable materials such as photoresist, dry film, and photomask, will also increase.

(3) Coating and other industrial resins

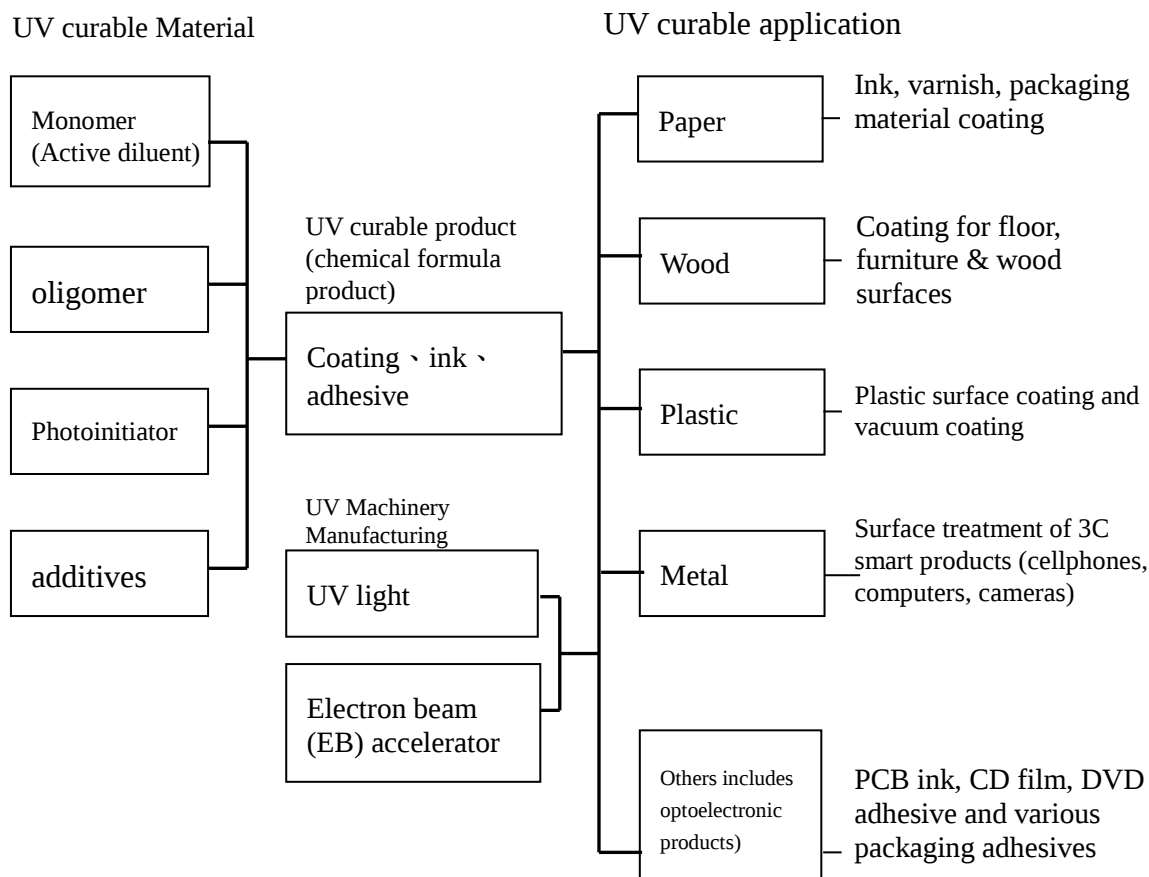
- a. The market development of traditional solvent-based coatings will continue to grow in emerging countries along with economic growth, but in other countries, it is gradually being replaced by water borne resins and UV curable materials in response to environmental pressures.
- b. The localization/domestication of the low & mid end market will be accelerated, and the development of imported manufacturers will be significantly compressed as the improved quality and technology of local manufacturers.
- c. Due the trade conflict between China and the United States, emerging countries have gained many benefits from orders and factory transfers. The demand for mid & high-end resin products will also rapidly increase.
- d. High solid & low viscosity, low free formaldehyde, and low free monomer environmentally friendly coating resins will gradually become mainstream products in the market.
- e. With the development of various functional film materials, the application of lamination such as insulation film, laminated steel, and aluminum-plastic lamination film will gradually increase and replace some application of the coating. Although the cost of laminating materials is much higher than general coatings, but laminating materials usually have better performance. The adhesion resin for laminating applications has relatively high added value and will also grow in the future with the increase in laminating market demand.

5.1.2.3 The relationship between upstream, midstream, and downstream of industry

- (1) Synthetic resin products are a midstream industry in the petrochemical industry. The upstream is petroleum refining, natural gas processing, and raw material chemical industry and the downstream is the processing and manufacturing industry. The following diagram shows the relationship between upstream, midstream, and downstream.



- (2) The UV curable industry can be divided into four major units, which are interdependent and independent, so called "value chain".



4. Competition of each product

We have had 40 years of experience in polymer chemicals, and have been marketing internationally for over 30 years. We have continuously introduced new technologies from Europe and the United States, devoted to research and development of new products, and strengthened the training of our workforce. Therefore, we have always held a significant position in the competitive industry. Although our competitors also produce synthetic resins, there is some overlap, and each manufacturer has its own strengths and develops in different areas. Therefore, our main products are also quite different, as shown in the table below:

Company	Main Products
Qualipoly Chemical Corp.	UV curable material, unsaturated polyester resin, coating resin, PU resin, casting resin, acrylic resin, amino resin.
Daily Polymer Corp.	Coating resin, alkyd resin, textile resin, unsaturated polyester resin, liquid crystal materials.
Young Shun Chemical Co., Ltd	Unsaturated polyester resin, polyester polyol resin, FRP products.
Etemal Chemical Co., Ltd	General resin, coating resin, unsaturated polyester resin, photoresist materials and vacuum laminating machine equipment, copper clad laminates, UV curable materials, epoxy resin packaging materials, liquid packaging materials.

5.1.3 Technics and R&D Overview

The R&D expenses and the successful developed technics or products up to the date of printing of the latest annual report.

Unit: NT\$ thousand

R&D expense		Successful developed technics or product
2022	Mar.31, 2023	
53,373	13,417	a. SMA related resin series b. 5G material related resin c. Transparent 3D printing materials d. UV curable repair materials e. Water borne resin for industrial additives

5.1.4 Short-term and long-term sales development plan

1. Short-term sales development plan

- (1) Increase the production and sales of UV curable materials, expand the use of special products in the electronics industry, and develop a series of products for ink, inkjet, metal can coat, glass coating and 3D printing.
- (2) Develop and promote Vinyl Ester Resins for use in construction and transportation.
- (3) Promote foreign BMC and SMC resins and low shrinkage agents.
- (4) Promote SMA resins, improve production efficiency and increase production capacity to meet market demand.
- (5) Develop and promote water borne resins for road use.

2. Long-term sales development plan

- (1) Develop other high value synthetic resins, electrochemical resins, and special UV curable materials.
- (2) Develop potential products related to the "energy industry" and look for cross-industry cooperation to increase efficiency.
- (3) Expand overseas production and sales channels, look for technics and production cooperation and continue to enhance international reputation.
- (4) Actively develop resins and coatings related to "concept of environmental protection and carbon reduction" to meet the overall market demand trend.
- (5) Look for technic transfer or OEM and shift towards the development related to the optoelectronics and semiconductor industries.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Main sales areas

Unit: NT\$ thousand

Sales area	2021		2022	
	Amount	%	Amount	%
Taiwan	1,041,991	22	960,183	23
China	1,374,236	28	1,013,245	24
Others	2,414,199	50	2,251,252	53
Total	4,830,426	100	4,224,680	100

2. Main competitors and market shares

Main Products	Competitors	Market shares
UV curable materials	Etemal、Allnex、Sartomer、Miwon	2%
Unsaturated polyester resin	Etemal、Nuplex、YongShun、Daily-Polymer	1%

3. Market future supply-demand situation and growth potential

(1) Supply analysis:

- a. Due to product characteristics, unsaturated polyester resin belongs to a regional industry. Therefore, with the rapid evolution of industrialization and economic development in emerging countries, the new production capacity is mainly located in these regions. However, the development and application of such products are already mature, the existing suppliers expand the most of the new production capacity, and the local factories invest a few capacities. There are no international chemical companies investing in this industry. Therefore, in terms of supply, it can be said to be stable without any significant fluctuations. However, the Southeast Asian market we have promoted in the past has been heavily attacked by Korean manufacturers in recent years. Under the preferential trade conditions of ASEAN+3, there is a significant exclusion effect, and our other main market in Australia is currently caught in a price war.
- b. The changes in the supply of UV curable materials have been more significant in recent years. In the past few years, most of the new capacity was occurred in China. However, in the past 2 or 3 years, China's industrial policy focused on environmental protection and safety which led many newly invested factories have been affected, and some even stopped operating. Also due to the unpredictability of China's industrial policy, the supply of UV curable materials often fluctuates greatly, and European and American producers have gradually planned to produce in Europe and the United States to supply local markets rather than imports. Korean suppliers relying on the advantages of FTA duty-free are actively entering various major markets and expanding their production capacity to reduce costs through economies of scale. Overall, the supply of UV curable materials has fluctuated greatly in recent years, but the total supply has continued to increase. After the new plant is put into production in China in 2024, we expect a short-term price war to cut the capacity. But as demand continues rising, and with the company's optimized product portfolio and manufacturing advantages of the new plant capacity, the supply and demand are expected to continue developing healthily in the medium & long term.
- c. The market supply situation of coatings and other industrial resins is similar to unsaturated polyester resins. Basically, it's stable and there are no new suppliers entering this field. The main suppliers are increasing production in response to growing demand. The supply of low & mid-range products also tends to be regional, and local manufacturers have relative advantages. In addition, due to environmental regulations in China, many manufacturers that used to produce solvent-based resins have gradually shifted to developing water borne or other resin products. Therefore, in terms of supply, it will be influenced by the new production capacity in Southeast Asian countries in the short term, but in the long term, it tends to be stable.

(2) Demand Analysis

- a. The market demand of unsaturated polyester resin is expected to grow continuously with the industrial development of emerging countries. As one of the main raw materials for basic consumer industries and with its high cost-effectiveness, there is slim chance to be replaced by new materials. On the contrary, due to cheap and cheerful characters and still developing in more applications drives the growth of market demand. During the pandemic, the overall demand declined due to the rising raw material prices. After the pandemic, it faced a global economic downturn, with the decline in demand

worsening rather than improving. Although the demand of unsaturated polyester resin is expected to gradually increase in the medium to long term, the overall contraction in consumer market demand is an inevitable short-term situation.

- b. The demand for UVcurable materials has been volatile due to the pandemic. Overall demand exploded in the European and American markets after reopening. With shipping clog, raw material shortage, and China's lockdowns, both of the demand & price increased from 2021 to the first half of 2022. However, both of the demand & price declined in the second half of 2022 due to global economic contraction and sell off high-priced inventories. In the long term, due to environmentally friendly and energy-saving, the market demand is expected to rapidly growth excluding overall economic and Russia-Ukraine war. Main growth in Asian region, particularly in China. The emerging markets in Southeast Asia are also expected to become future markets. At present, the UV curable industry in these countries is just beginning, and mainly imports finished or semi-finished products. However, rapid demand growth can be expected in the near future.
- c. The market demand of Solvent-based coating resin can still be expected to have growth potential in emerging markets in the short term. However, in the long term, due to energy saving and carbon reducing policies of each country, the application of such resins will be partially replaced by other environmentally friendly products such as water borne resins, UV curable materials, and epoxy resins.

4. Niche Market Competition

- (1) Our main products have obtained multiple international certifications and meet with the special quality requirements of our customers. Unsaturated polyester resins have been certified for marine use by both Lloyd's Register and DNV in Norway, and our PIR insulation rigid polymeric resin has been tested and approved by the Aerospace center of Industrial Technology Research Institute. The unsaturated resin QL7241 (8275FA) has also obtained UL certification for use in underground oil tanks in the United States. Our UV curable materials have registered in REACH and most of our products have been approved and used by major downstream customers.
- (2) Several plants established experience, advanced manufacturing process, and high production efficiency.
Since establishment, we have several experience in plant established due to relocation and reinvestment. Our production equipment has been continuously improved, including automatic heating systems, distributed control systems, and data management systems. With high automation and superior quality control, we have achieved high production efficiency.
- (3) Extensive experience in wastewater recycling as waste solvent recovery, cost savings by well waste reduction.
Energy conservation and waste reduction are global trends, and we continuously R&D new recycling processes. We aim to recover usable materials and solvents from wastewater and used solvents to achieve waste reduction targets; moreover, it could save costs and creating profits.
- (4) Established technical cooperation with major European and the USA companies, abundant technical resources.
We have established technical cooperation with internationally renowned synthetic resin manufacturers, such as NESTE, Ashland, SOAB, Beckers and others to

introduce advanced European and American technologies. Our R&D department maintains good interaction with our partners and regularly we send staff to visit for technology exchanges. Unsaturated polyester resin is our main product, with a wide and complete product line ranging from ORTHO, ISO to Vinylester, BMC, and SMC. With strong material development capabilities in our R&D department, we have developed alternative materials that help to cost down production costs.

(5) Abundant marketing resources

Our sales areas are in northern, central, and southern Taiwan, as well as Guangdong Province in China, with several sales personnel in each area to provide nearby customer service. In addition, we have long-term cooperative dealers in Australia, Malaysia, Singapore, Thailand, Vietnam, India, Indonesia, Hong Kong, Europe, and the United States to assist with marketing. Therefore, we have diversified markets, excellent marketing capabilities of our sales, and a wide range of sales channels.

(6) Developing green products to meet with environmental demand

We have a wide product line, which is less affected by individual industry downturns. It includes green products such as UV curable materials and their derivatives to meet with the demand for environmentally friendly products. In recent years, we have been actively investing in the development of environmentally friendly polyester polyols and bio-based polyester resins, which conform to market trends.

(7) Established a new production line for the latest generation of UV curable, equipped with advanced and state-of-the-art production technology. The new equipment is highly efficient and cost-effective in producing UV curable materials.

5. Development vision

(1) Favorable factors:

- a. The product line is complete and has a wide range of applications. In response to market changes and new applications, we can quickly respond and enter the market.
- b. We have a strong R&D team, and in recent years, we also have established an R&D center to build high-value transformation capabilities. In addition to improving existing products, we also have the ability to independently develop new products to meet with customer needs in the future.
- c. We have highly automatic production line, excellent production process technology, and excellent cost control capabilities.
- d. Most of the main raw materials are supplied locally, with competitive costs and low inventory pressure.
- e. Our financial structure is sound and has low debt ratio. We're potential for each development in the future, whether it be organic or inorganic growth.
- f. We have developed a global business which helps to diversify risks. We also have established cooperative relationships with world-renowned companies, working closely together on multiple projects.

(2) Unfavorable factors :

- a. Taiwan has not participated in any international trade agreements (such as TPP, ASEAN+1) which put Taiwan in disadvantage compared to its main competitors in terms of exporting and overseas sales.
- b. The production capacity of local industries in emerging countries can affect market trends.
- c. Environmental regulations in Taiwan are becoming increasingly strict and related costs are increasing year by year which affects production costs.
- d. Regional economic are emerging, high shipping costs and appreciation of NT

dollar are unfavorable to exporting and overseas sales.

- e. In the European and American markets, high-value specialty products are mainly promoted through distributors, making it more difficult to penetrate these markets.

(3) Potential opportunities and corresponding strategies:

- a. Cooperation with global manufactures to develop new products and achieve the goal of high value-added transformation.
- b. Continuously invest in R&D, venture into the green materials and electronic materials industries, enhance product value and achieve sustainable management goals.
- c. Develop a circular economy and improve production processes to achieve energy-saving and waste reduction goals.
- d. Make good use of financial advantages and develop new products, markets, and production bases through inorganic growth in the appropriate time.

5.2.2 Import use and manufacturing process of main products

1. Import use of main products:

(1) Unsaturated polyester resin:

Used in general FRP products, surfboards, storage tanks, yachts, fishing boats, buttons, casting art, artificial marble, entertainment equipment, light panels, furniture coatings, finishing paint, primers, fillers, and adhesive shells.

(2) UV curable materials:

Various ultraviolet curing paint and monomers and oligomers of ultraviolet curing paint for paper varnishing, wood, ink, electronic materials, adhesives, and coatings for 3C and home appliances.

(3) Paint resins:

Used in colored paint, quick-drying paint, cement paint, wood coatings and industrial paint for coating, automobiles, home appliances, and color-coated steel plates.

(4) PU resins:

Used in imitation woods, flat panels, color-coated steel plates, insulation, freezing panels, insulation materials, and fillers.

(5) Casting resin:

Used in sand molds for casting various metals.

(6) Resins for acrylic paint:

Used in high-performance paint, 2K PU Application and paper varnishing.

2. The production process of the main products: unsaturated polyester resins and paint resins are both condensation polymer, diluted with different solvents according to their uses. The commonality of production equipment is higher. UV curable materials undergo chemical reactions and physical actions using different equipment and the commonality of production equipment is low.

5.2.3 Supply of main material:

Main material	Supplier	Availability
Acrylic Acid (AA)	YuanJen 、BASF	Good
Styrene Monomer (SM)	GPPC 、YuanJen	Good
Phthalic Anhydride (PA)	NPC 、UPC	Good
Dipentaerythritol (DI-PENTA)	LCY Chemical Corp.	Good
Maleic Anhydride (MA)	YuanJen 、NPC	Good
Propylene Glycol (PG)	Lyondell	Good
Epoxy (EPOXY)	NPC 、Shingho	Good
Phthalic Anhydride (PA)	NPC 、UPC	Good
Trimethylolethane (TMP)	LANXESS 、PERSTORP	Good
Pentaerythritol (PENTA)	LCY Chemical Corp. 、PERSTORP	Good
Dipropylene glycol (DPG)	Lyondell	Good
EO/PO copolymer	Sino-Japan 、Oriental 、EnHou	Good

5.2.4 Main suppliers & customers with last 2 years

1. Main suppliers

Information of main suppliers with last 2 years

Unit: NT\$ thousand

Item	2021				2022				As of last quarter of 2023			
	Supplier	Amount	Ratio of purchasing [%]	Relationship with issuer	Supplier	Amount	Ratio of purchasing [%]	Relationship with issuer	Supplier	Amount	Ratio of purchasing [%]	Relationship with issuer
1	YuanJen	591,250	16.53	None	YuanJen	453,822	15.32	No	Yuan Jen	65,356	14.12	No
2	NPC	257,846	7.21	None	NPC	207,275	7.00	No	JSR Micro Taiwan	50,751	10.97	No
3	Sino-Japan	210,070	5.87	None	Sino-Japan	163,081	5.50	No	NPC	39,951	8.63	No
	Others	2,518,608	70.39	None	Other	2,138,345	72.18	No	Other	306,768	66.28	No
	Net purchase	3,577,774	100.00	None	Net purchase	2,962,523	100.00	No	Net purchase	462,826	100.00	No

Reason for Changes: Some of the suppliers' rankings have changed due to the mutual substitution of the resin suppliers.

2. Main customers :

Information of main customers with last 2 years

Unit: NT\$ thousand

Item	2021				2022				As of last quarter of 2023			
	Supplier	Amount	Ratio of purchasing [%]	Relationship with issuer	Supplier	Amount	Ratio of purchasing [%]	Relationship with issuer	Supplier	Amount	Ratio of purchasing [%]	Relationship with issuer
1	Group A	827,440	17.13	None	Group A	784,045	18.56	None	Group A	111,620	15.09	No
	Others	4,002,986	82.87	None	Others	3,440,635	81.44	None	Others	628,215	84.91	No
	Net sales	4,830,426	100.00	None	Net sales	4,224,680	100.00	None	Net sales	739,835	100.00	No

5.2.5 Production capacity with last 2 years

Unit: ton, NT\$ thousand

Production Capacity Main Products	Year	2022			2021		
		Production Capacity	Production Capacity	Production Capacity	Production Capacity	Production Capacity	Production Capacity
Synthetic Resin		85,000	44,520	3,809,953	85,000	57,208	4,137,108

5.2.6 Sales volume with last 2 years

Unit: ton, NT\$ thousand

Sales Volume Main Products	Year	2022				2021			
		Domestic		Overseas		Domestic		Overseas	
		volume	value	volume	value	volume	value	volume	value
Synthetic Resin		9,719	960,183	30,810	3,264,497	11,544	1,041,991	41,464	3,788,435

5.3 Employee Information for the Past Two Years and as of the Publication of the Annual Report

Unit: person

Year		As of Mar.31, 2023	2022	2021
Number of employees	Direct labor	144	145	141
	Indirect labor	257	260	260
	Total	401	405	401
Averaged Age		44	44	43
Averaged job tenure		12.8	12.8	12.8
Employee's education	Master or PhD	38	38	37
	College	255	258	255
	Junior high school	79	79	79
	Under junior high school	29	30	29

5.4 Environmental Expenditure Information

5.4.1 The total losses (remuneration) and disposal suffered due to environmental pollution, as of the date of printing the latest annual and reports:

1. Judgement on April 11, 2022. A fine of NT\$150 thousand was imposed by the Environmental Protection Bureau for violation of Article 53, Paragraph 1, and Article 56 of the Waste Disposal Act during an inspection conducted in November of 2021.
2. On Oct.31, 2022, the Taiwan Hsinchu District Court issued a first-instance verdict in a case related to the Waste Disposal Act involving the company and other parties, imposing a fine and confiscation of illegal gains totaling NT\$45,979 thousand. (Permit No. 622 in 2020/Permit No. 1 in 2021).

5.4.2 Future countermeasures and estimation of possible expenses and remuneration

1. Future countermeasures:
 - a. Participating in environmental protection seminars and meetings from time to time, and fully cooperating with various environmental protection plans proposed by environmental protection agencies to absorb new knowledge and skills and improve the efficiency of environmental protection work.
 - b. Collecting the latest regulation through the internet or environmental gazette at any time to understand and comply with current and future regulatory requirements.
 - c. Strengthening the environmental knowledge and on-the-job training of employees to ensure that all operations in the factory comply with legal requirements.
 - d. Continuously improving the pre-treatment of existing pollution prevention and control equipment and achieving reducing 5% of pollutant emissions within 3 years under the total pollution control regulation.
 - e. Regularly inspect by professional environmental agencies to ensure the normal operation of equipment.
 - f. Investigating and getting the sources and quantities of various wastes in the factory and proposing waste reduction policies to reduce waste generation. In accordance with the factory renovation, re-planning the waste storage area in the factory to solve the problem of insufficient waste storage area in the factory.
 - g. Having a specially assigned person to regularly review relevant laws and regulations, check whether there are any non-compliance issues in the factory, and improve them.
2. Estimation of possible expenses and remuneration
 - a. Estimated environmental expenditure for the next 3 years: NT\$ 260 million.
 - b. No estimated amount for related remuneration.
 - c. Estimated investment of NT\$ 5 million for the registration of the first stage standard of chemical substances.
 - d. Estimated investment of NT\$ 1 million for replacing the oil burner to natural gas burner of steamer.
 - e. Estimated investment of NT\$ 5 million for re-planning the waste storage area in the factory.

5.4.3 Others

RoHS disclosure:

Currently, we already comply with RoHS compliance, and main products have met the RoHS directive implemented since July 1, 2006. In the future, we will continuously pay attention to RoHS regulations and the development of the European Union to meet with the legal regulations and customer demands.

5.5 Labor Relations

5.5.1 Employee welfare measures, education, training, retirement system, and the implementation of agreements and measures to protect employee rights between labor and management.

1. Employee benefits measures

- (1) Employees participate in labor insurance, national health insurance, the new labor pension system, group accident insurance for employees and their dependents, and cancer insurance.
- (2) The company reviews operational performance in each half year and awards operational performance bonuses to all employees based on this performance.
- (3) The company issues fixed one month bonuses to employees based on operational profits and year-end bonuses based on individual performance assessments after taxes, donations, dividends, and reserves are paid according to the settlement of profits.
- (4) The company awards Mid-Autumn Festival and Dragon Boat Festival bonuses based on operational conditions and the employee's date of hire each year.
- (5) A employee benefit committee is established in accordance with the law to allocate welfare funds, sign contracts with designated stores, subsidize employee associations, provide annual employee and dependent travel, hospitalization, and wedding/funeral subsidies, birthday gifts, and other measures to organize multiple employee exchange activities to increase employee cohesion.
- (6) Employee training subsidies, employee children's scholarships, employee funeral mutual aid funds, work uniforms, childcare subsidies, breastfeeding rooms, reserved parking spaces for pregnant colleagues, and the installation of safety handrails in restrooms.
- (7) To promote employee food safety and hygiene, the company establishes an employee cafeteria and a group meal committee, and provides meal subsidies to encourage employees to dine in the factory. The aim is to control balanced nutrition and the safety requirements of ingredients. In addition, the company provides employees with fruit after meals once a week to ensure that they can eat healthily and with peace of mind.
- (8) To comply with legal regulations, each foreign employee must have more than 3.66 square meters of living space. The company purchases dormitories for foreign employees near the factory to provide them with a quality living environment and safe accommodation, allowing them to work with full concentration and peace of mind.
- (9) Subscribing to relevant professional books, newspapers, and magazines to increase employee knowledge and update their self-knowledge and application.
- (10) Employee uniforms (winter/summer), winter coats, work shoes, work hats, and related work protective equipment.
- (11) Every half-year, the company allocates departmental funds based on the number of employees in each department to meet the needs of various departmental activities or inter-departmental friendship to promote mutual assistance among employees. The company also organizes the Mid-Autumn Festival and year-end banquet for all employees.
- (12) Regular health check-ups are provided for all employees, and factory nurses are employed according to the law. Doctors are also available on-site to address any abnormal health issues among colleagues, which are included in the management and tracking to facilitate improvements. Multiple AED (automated external

defibrillator) and oxygen cylinders are also provided in various locations.

- (13) Establishing an employee stock trust to strengthen employee loyalty to the company and enhance employee benefits, providing employees with a more comprehensive retirement plan.

2. Human resource (education and training)

"Talent" has always been the company's most important asset and concern. Creating a learning and innovative work environment is our continuous goal. Therefore, we provide employees with tailored education and training courses to assist them in improving their professional skills and self-growth. We also emphasize the development potential of talents in the future. Based on the company's strategy, we plan and promote education and training courses and learning analysis for five major learning objectives to enhance employee skills and cultivate high-quality talents with professional work skills, diversified knowledge, and innovative concepts, thereby achieving the company's operational performance goals.

(1) New employee training :

- a. Assist new employees in quickly understanding the work environment and integrating into the company culture, as well as explaining relevant policies and norms.
- b. Assist employees in establishing the correct attitude towards work and team consensus, as well as understanding the operations of various departments.

(2) Professional training :

- a. Assist employees in developing their professional skills and meeting regulatory requirements, solidifying their own professional abilities and achieving the internal transfer of technical experience.
- b. Assist employees in quickly operating independently and following standard procedures to meet the requirements of work quality.

- (3) Certification system training : "All-staff participation" is the policy for the operation of the company's quality system ISO-9001 and environmental health and safety system ISO14001/OHSAS18001. Therefore, audit personnel and new employees are regularly arranged for learning and explanation to improve the efficiency of various systems.

- (4) Safety and health training : Strengthen various plant safety and health training, firefighting, emergency response training, and chemical hazard education and guidance in accordance with regulations. Occupational accidents are usually caused by insufficient employee training and awareness of chemical hazards.

(5) Self-development training :

- a. Provide training courses for individual employees based on their performance, strengths and weaknesses, department and organizational status, and future goals to assist employees in achieving their goals.
- b. Assist employees in developing language, professional skills, and second specialties in order to enhance their self-awareness and skill advancement.

3. Retirement System

The company has established the employee retirement pension system in accordance with the "Labor Standards Act" and the "Labor Pension Act". In addition, the "Labor Retirement Reserve Fund Supervisory Committee" has been established in compliance with the law, and an adequate amount is allocated based on the actuarial report each year. The calculation standard for retirement pension is based on relevant regulations for all eligible retirees to ensure that the allocation and payment of retirement pension comply with legal requirements.

4. Labor-Management Agreement and Employee Rights Protection

Adhering to the concept of "harmony between labor and management, creating win-win

situations", we strengthen communication between labor and management. This is the foundation for rallying employee morale and consensus, and working together to grow and strengthen the company. Therefore, we continue to actively strengthen communication internally and through various communication platforms and methods, we promptly and accurately convey the company's operational situation and direction, understand and provide feedback on grassroots suggestions and improvement directions, meet employee needs, and improve overall operational efficiency.

- (1) The chairman personally holds an employee forum once per half year to create a transparent workplace and collect input from employees at all levels. Suggestions and ideas are transformed into driving forces for the advancement of the workplace.
- (2) Each department holds regular quarterly or monthly meetings where managers can directly deliver company performance, set departmental goals, and negotiate improvements. Colleagues can also use this channel to provide feedback or suggestions, achieving two-way communication.
- (3) The chairman personally holds monthly departmental management meetings to develop, coordinate, and deliver the company's business, management, marketing, and other operations and directions.
- (4) A suggestion box is provided for employees to provide written feedback, proposals, or report any grievances, which will then be investigated and addressed by the relevant unit.
- (5) The company establishes "Employee Work Rules" in accordance with the Labor Standards Act, which are available for employees to review on the company's intranet. Any amendments or revisions are communicated to colleagues via email or posted notices, ensuring that they are up to date with the latest company policies and management standards.
- (6) To ensure that employees' families are aware of the company's commitment to workplace safety, an "Employee and Family Occupational Safety Agreement" is signed before employment, with the goal of achieving a win-win-win situation for families, employees, and the company in terms of workplace safety.
- (7) According with the "Personal Information Protection Act" regulations are established for the collection (personnel-related information, health examination data, etc.), processing and use of personal information to prevent human rights violations. Strengthened promotion to ensure that colleagues understand the importance of ethical standards, avoid violating company regulations during work-related operations, and provide relevant consultation channels to ensure that colleagues' and the company's rights are maximally protected.
- (8) Measures and channels of Sexual Harassment Prevention are established to protect employees from the harm of work-related sexual harassment.

5.5.2 The recent annual and year-to-date reports state that there have been no losses due to labor disputes and disclose the estimated amounts and corresponding measures that may occur in the future. This is because the company has a good labor-management relationship and employees have a high level of loyalty to the company, thus there have been no losses due to labor disputes .

5.6 Cyber Security Management :

5.6.1 Description of the framework for cyber security risks, cyber security policies, specific management plans, and resources invested in cyber security management. (

1. Purpose and scope of cyber security

Target : including employees, customers, suppliers, and operational-related information

hardware and software equipment.

Scope : To ensure the cyber security of the company, relevant regulations and systems have been established and incorporated into the management operation system to protect the privacy and cyber security of employees, suppliers, and customers during business negotiations.

2. Risk Framework of cyber security

- (1) The company is led and planned by the Information Department for cyber security, with cooperation from various business-related departments to ensure the effectiveness of the company's cyber security management operation.
- (2) Responsible for developing cyber security management policies, regularly reviewing and revising, and reporting to the board of directors regularly.

3. The goal of cyber security

- (1) To ensure the continuous operation of the company's business and the company provides stable use of the information services.
- (2) To ensure the confidentiality, integrity, and availability of the information assets stored by the company and protect the privacy of personnel data.
- (3) To prevent destruction and leakage of confidential information and establish a sustainable information business operation plan to comply with relevant laws and regulations, preventing improper and illegal use.

4. Control measures of cyber security

- (1) Establish a regular inventory of information assets and implement various control measures.
- (2) Regularly conduct cyber security propaganda operations.
- (3) Important information systems or equipment should have appropriate backup or monitoring mechanisms established and regularly practiced to maintain their availability.
- (4) UTM firewall protection and control for inappropriate use when going online, the use of secure Mail Spam defense E-MAIL, personal computers should install antivirus software and regularly update virus codes, and unauthorized software use is prohibited.
- (5) Employee account passwords and permissions should be properly managed and used, and changed regularly. Accounts of employees who have left the company should be disabled immediately.
- (6) Establish standard procedures for cyber security incidents to handle them in time and avoid spreading the damage.
- (7) All employees should comply with legal requirements and cyber security requirements. Supervisors should supervise the implementation of the security system and strengthen employees' awareness of cyber security and legal concept.

5. Execution of cyber security propaganda in 2022 :

In addition to sending monthly email filtering reports, the company conducted five cyber security propaganda.

5.6.2 The losses, potential impact, and response measures suffered due to significant cyber security incidents during the latest fiscal year and up to the date of printing of this annual report are listed below. If unable to make a reasonable estimate, it should be stated that such cannot be reasonably estimated: No

5.7 Important Contracts

Contract Type	Interested Person	Star & due date of contract	Content	Restriction
Supply & sales	Grand Pacific Petrochemical Corporation	Jan.01, 2023 ~ Dec.31, 2025	The monthly supply of styrene shall be supplied full quantity of delivery. In case of reduction in delivery or quantity, it shall be subject to the agreement stipulated in the contract.	Calculate the unit price according to the pricing formula.
Long-term loan	Bank of Taiwan	Sep.09, 2021 ~ Sep.08, 2041	Secured loan	None
		Nov.01, 2021 ~ Oct.31, 2026	Secured loan	None
		Aug.31, 2022 ~ Nov.01, 2041	Secured loan	None
	CTBC Bank Co., Ltd	Mar.23, 2022 ~ Mar.15, 2029	Unsecured loan	None
		Aug.23, 2022 ~ Aug.15, 2029	Unsecured loan	None
	E. Sun Commercial Bank, Ltd	Apr.18, 2022 ~ Apr.15, 2029	Unsecured loan	None
	Yuanta Commercial Bank Co., Ltd.	Oct.27, 2022 ~ Oct.27, 2024	Unsecured loan	None
	Cathay United Bank	Mar.23, 2022 ~ Feb.08, 2029	Unsecured loan	None

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

1. Consolidated Condensed Balance Sheet

Unit: NT\$ thousand

Year		2018	2019	2020	2021	2022	As of Mar.31, 2023
Item							
Current Assets		2,231,499	2,001,166	2,027,262	2,721,843	2,357,299	2,224,683
Property, plant and equipment		943,792	915,270	908,088	1,449,979	1,532,791	1,530,507
Intangible assets		85,192	82,407	74,965	69,459	73,366	73,037
Other Assets		256,540	285,439	274,802	381,625	588,186	634,253
Total Assets		3,517,023	3,284,282	3,285,117	4,622,906	4,551,642	4,462,480
Current liabilities	Before distribution	934,456	659,339	643,659	1,183,594	834,549	941,383
	After distribution	1,114,472	839,355	839,181	1,403,614	1,024,566	941,383
Non-current liabilities		131,616	118,203	102,004	656,383	811,308	800,559
Total Liabilities	Before distribution	1,066,072	777,542	745,663	1,839,977	1,645,857	1,741,942
	After distribution	1,246,088	957,558	941,185	2,059,997	1,835,874	1,741,942
Interests attributable to parent company owner		2,450,951	2,506,740	2,539,454	2,782,929	2,905,785	2,720,538
Capital		1,000,092	1,000,092	1,000,092	1,000,092	1,000,092	1,000,092
Capital reserve		392,320	392,320	392,323	410,177	410,471	412,894
Retained earnings	Before distribution	1,060,235	1,134,923	1,236,347	1,408,602	1,503,698	1,315,698
	After distribution	880,219	954,907	1,040,825	1,188,582	1,313,681	1,315,698
Other interests		(1,696)	(20,595)	(27,252)	(35,942)	(8,476)	(8,146)
Treasury stock		-	-	(62,056)	-	-	-
Non-controlling interests		-	-	-	-	-	-
Total equity	Before distribution	2,450,951	2,506,740	2,539,454	2,782,929	2,905,785	2,720,538
	After distribution	2,270,935	2,326,724	2,343,932	2,562,909	2,715,768	2,720,538

Note 1: The financial information has been audited or reviewed and signed off by a CPA.

Note 2: No notifications or reclassifications of the financial information by authorities.

2. Parent Condensed Balance Sheet

Unit: NT\$ thousand

Year Item		2018	2019	2020	2021	2022	As of Mar.31, 2023
Current Assets		1,829,084	1,633,467	1,584,611	2,319,696	1,902,628	No Applicable
Property, plant and equipment		878,117	854,208	850,712	1,398,383	1,485,519	
Intangible assets		13,415	12,347	8,410	4,774	1,600	
Other Assets		698,885	737,635	779,247	814,626	1,086,587	
Total Assets		3,419,501	3,237,657	3,222,980	4,537,479	4,476,334	
Current liabilities	Before distribution	851,632	627,058	595,149	1,111,411	773,935	
	After distribution	1,031,648	807,074	790,671	1,331,431	963,952	
Non-current liabilities		116,918	103,859	88,377	643,139	796,614	
Total Liabilities	Before distribution	968,550	730,917	683,526	1,754,550	1,570,549	
	After distribution	1,148,566	910,933	879,048	1,974,570	1,760,566	
Interests attributable to parent company owner		2,450,951	2,506,740	2,539,454	2,782,929	2,905,785	
Capital		1,000,092	1,000,092	1,000,092	1,000,092	1,000,092	
Capital reserve		392,320	392,320	392,323	410,177	410,471	
Retained earnings	Before distribution	1,060,235	1,134,923	1,236,347	1,408,602	1,503,698	
	After distribution	880,219	954,907	1,040,825	1,188,582	1,313,681	
Other interests		(1,696)	(20,595)	(27,252)	(35,942)	(8,476)	
Treasury stock		-	-	(62,056)	-	-	
Non-controlling interests		-	-	-	-	-	
Total equity	Before distribution	2,450,951	2,506,740	2,539,454	2,782,929	2,905,785	
	After distribution	2,270,935	2,326,724	2,343,932	2,562,909	2,715,768	

Note 1: The financial information has been audited and signed off by a CPA.

Note 2: No notifications or reclassifications of the financial information by authorities.

6.1.2 Condensed Statement of Comprehensive Income

1. Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousand

Year Item	2018	2019	2020	2021	2022	As of Mar.31, 2023
Operating Revenue	4,748,831	4,292,615	3,822,858	4,830,426	4,224,680	739,835
Operating margin	704,874	724,165	760,132	1,005,918	762,266	97,087
Operating income	304,658	333,871	339,570	468,101	328,791	(2,601)
Non-operating income and expenses	46,593	4,663	27,128	14,762	72,575	4,415
Net profit before tax	351,251	338,534	366,698	482,863	401,366	1,814
Net income of continuing business units	-	-	-	-	-	-
Loss of suspended business unit	-	-	-	-	-	-
Net income	253,856	256,708	281,318	367,807	315,043	2,017
Other comprehensive income, net of tax	(1,034)	(20,903)	(6,535)	(8,720)	27,539	330
Total comprehensive income	252,822	235,805	274,783	359,087	342,582	2,347
Net income attributable to stockholders of the parent	253,856	256,708	281,318	367,807	315,043	2,017
Net income attributable to non-controlling interests	-	-	-	-	-	-
Total comprehensive income attributable to stockholders of the parent	252,822	235,805	274,783	359,087	342,582	2,347
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share (NT\$)	2.54	2.57	2.83	3.73	3.15	0.02

Note 1: The financial information has been audited or reviewed and signed off by a CPA.

Note 2: No notifications or reclassifications of the financial information by authorities.

2. Parent Condensed Statement of Comprehensive Income Statement

Unit: NT\$ thousand

Year Item	2018	2019	2020	2021	2022	As of Mar.31, 2023
Operating Revenue	4,279,247	3,869,569	3,265,028	4,214,065	3,753,713	No Applicable
Operating margin	608,307	616,068	623,321	873,240	657,263	
Operating income	275,109	290,455	269,237	406,530	301,907	
Non-operating income and expenses	64,334	35,201	82,876	51,115	82,618	
Net profit before tax	339,443	325,656	352,113	457,645	384,525	
Net income of continuing business units	-	-	-	-	-	
Loss of suspended business unit	-	-	-	-	-	
Net income	253,856	256,708	281,318	367,807	315,043	
Other comprehensive income, net of tax	(1,034)	(20,903)	(6,535)	(8,720)	27,539	
Total comprehensive income	252,822	235,805	274,783	359,087	342,582	
Net income attributable to stockholders of the parent	253,856	256,708	281,318	367,807	315,043	
Net income attributable to non-controlling interests	-	-	-	-	-	
Total comprehensive income attributable to stockholders of the parent	252,822	235,805	274,783	359,087	342,582	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per share (NT\$)	2.54	2.57	2.83	3.73	3.15	

Note 1: The financial information has been audited and signed off by an accountant.

Note 2: No notifications or reclassifications of the financial information by authorities.

6.1.3 Accountants' names and audit opinions with last 5 years

Year	Accounting firm	CPA name	Opinion
2018(Note)	PwC Taiwan	Lin, Tzu-Yu 、Tien, Chung-Yu	Unqualified opinion
2019	PwC Taiwan	Tien, Chung-Yu 、Lin, Tzu-Yu	Unqualified opinion
2020	PwC Taiwan	Tien, Chung-Yu 、Lin, Tzu-Yu	Unqualified opinion 見
2021	PwC Taiwan	Tien, Chung-Yu 、Lin, Tzu-Yu	Unqualified opinion
2022(Note)	PwC Taiwan	Tien, Chung-Yu 、Yeh, Fang-Ting	Unqualified opinion

Note: Accountants were replaced due to organizational adjustments at PwC Taiwan in 2018 & 2022.

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

Item Year		Five-Year Financial Analysis					As of Mar.31, 2023
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt to asset ratio	30.31	23.67	22.70	39.80	36.16	39.04
	Long term capital to property, plant and equipment ratio	273.64	286.79	290.88	237.20	242.50	230.06
Solvency %	Current ratio	238.80	303.51	314.96	229.96	282.46	236.32
	Quick ratio	146.97	185.96	201.49	138.41	152.43	126.61
	Interest coverage ratio	41.29	54.21	180.23	95.00	34.24	1.70
Operating capacity	Receivable turnover rate (times)	3.90	4.02	3.77	4.18	4.12	3.79
	Average cash recovery day	94	91	97	87	89	96
	Inventory turnover rate (times)	4.66	4.35	4.08	4.26	3.15	2.36
	Payable turnover rate(times)	9.34	12.21	11.79	10.30	9.45	9.06
	Days sales outstanding	78	84	90	86	116	155
	Property, plant and equipment turnover rate (times)	5.13	4.62	4.19	4.10	2.83	1.93
	Total asset turnover rate (times)	1.33	1.26	1.16	1.22	0.92	0.66
Analysis of Profitability	Return on assets (%)	7.28	7.70	8.61	9.41	7.08	0.36
	Return on equity (%)	10.60	10.36	11.15	13.82	11.08	0.29
	Ratio of Pre-tax net profit to paid-up capital (%)	35.12	33.85	36.67	46.81	40.13	0.73
	Net profit ratio (%)	5.35	5.98	7.36	7.61	7.46	0.27
	Earnings per share (NT\$)	2.54	2.57	2.83	3.73	3.15	0.02
Cash flow	Cash flow ratio (%)	36.49	71.68	69.40	18.70	87.45	4.25
	Cash flow adequacy ratio (%)	121.20	134.23	116.75	72.59	89.35	75.78
	Cash reinvestment ratio (%)	6.55	9.49	8.42	0.66	12.59	(3.92)
Leverage	Operating leverage	3.33	2.83	3.32	1.65	2.89	(77.08)
	Financial leverage	1.03	1.02	1.01	1.01	1.04	0.43

Reasons for changes in various financial ratios in the past two fiscal years: (with an increase or decrease of 20% or more).

(1) Solvency

1. Current ratio increase : mainly due to the long-term funding needs for building a plant, which is now primarily financed through long-term loans, resulting in the repayment of short-term loans.
2. Interest coverage ratio decrease : mainly due to increased borrowing and interest expenses for operation demands and a decline in profits for the year.

(2) Profitability

Return on assets decrease : a decline in profits of the year is due to the global economic contraction and high inventory prices in the 2nd half of the year

(3) Cash flow

1. Cash flow ratio increase : mainly due to a decline in revenue and profits for the year, resulting in reduced purchases and expenses, and primarily borrowing long-term loans, leading to a decrease in accounts payable, accounts receivable, and short-term borrowing. Additionally, cash flow from operating activities increased due to the collection of accounts receivable throughout the year.
2. Increase of Cash flow adequacy ratio and Cash reinvestment ratio : mainly due to the gradual collection of receivables and increase in cash flow from operating activities for the year.

(4) Leverage

Operating leverage increase : mainly due to a decline in profits for the year and a drop in raw material prices, leading to a decrease in variable operating costs.

Note: Above information has been audited or reviewed and signed off by a CPA.

6.2.2 Parent Financial Analysis

Year Item		Five-Year Financial Analysis					As of Mar.31, 2023
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt to asset ratio	28.32	22.58	21.21	38.67	35.09	No Applicable
	Long term capital to property, plant and equipment ratio	292.43	305.62	308.90	245.00	249.23	
Solvency %	Current ratio	214.77	260.50	266.25	208.72	245.84	
	Quick ratio	133.09	161.63	171.69	130.46	130.32	
	Interest coverage ratio	51.71	64.56	173.10	98.72	35.47	
Operating capacity	Receivable turnover rate (times)	3.88	4.04	3.61	4.06	4.12	
	Average cash recovery day	94	90	99	90	89	
	Inventory turnover rate (times)	5.24	4.96	4.55	4.81	3.51	
	Payable turnover rate (times)	8.86	11.77	10.88	9.54	8.94	
	Days sales outstanding	70	74	80	76	104	
	Property, plant and equipment turnover rate (times)	4.99	4.47	3.83	3.75	2.60	
	Total asset turnover rate (times)	1.22	1.16	1.01	1.09	0.83	
Analysis of Profitability	Return on assets (%)	7.42	7.84	8.76	9.58	7.19	
	Return on equity (%)	10.60	10.36	11.15	13.82	11.08	
	Ratio of Pre-tax net profit to paid-up capital (%)	33.94	32.56	35.21	45.76	38.45	
	Net profit ratio (%)	5.93	6.63	8.62	8.73	8.39	
	Earnings per share (NT\$)	2.54	2.57	2.83	3.73	3.15	
Cash flow	Cash flow ratio (%)	42.15	57.03	65.05	26.12	86.70	
	Cash flow adequacy ratio (%)	109.02	114.54	102.46	67.85	84.13	
	Cash reinvestment ratio (%)	6.97	5.60	6.38	2.38	11.16	
Leverage	Operating leverage	3.13	3.14	4.04	1.87	2.87	
	Financial leverage	1.02	1.02	1.01	1.01	1.04	

Reasons for changes in various financial ratios in the past two fiscal years: (with an increase or decrease of 20% or more).

(1) Solvency

Interest coverage ratio decrease : Mainly due to the increase in borrowing and interest expenses in the current year and a decline in profitability in the current period.

(2) Operating capacity

1. Inventory turnover rate decrease and days sales outstanding increase : a decline in revenue due to the global construction of 2nd half of the year, resulting in a decrease in the cost of sales, and high inventory costs and a slowdown in inventory turnover.

2. Property, plant and equipment turnover rate (times) : a decline in revenue due to the global construction of 2nd half of the year, and the increase in average property, plant and equipment due to the construction of a new plant.

3. Total asset turnover : a decline in operating revenue in the current year due to the global construction of 2nd half of the year

(3) Profitability

Return on assets : Mainly due to the decline in profitability in the current year.

(4) Cash flow

1. Cash flow ratio increase : Mainly due to the decline in revenue and profitability in the current year, resulting in a decrease in related purchases and expenses. In addition, the company mainly raised long-term loans in the current year, leading to a decrease in accounts payable, accounts receivable, and short-term borrowing. Furthermore, the collection of accounts receivable increased, leading to an increase in cash inflow from operating activities in the current year.

2. Increase of Cash flow adequacy ratio and cash reinvestment ratio : mainly due to the gradual collection of receivables and increase in cash flow from operating activities for the year.

(5) Leverage

Operating leverage : Mainly due to the decline in profitability in the current year, and the decrease in variable operating costs due to the decline in raw material prices.

Note 1: Above information has been audited and signed off by a CPA.

Note 2: Calculation Formula

1. Financial Structure

- (1) Debt to asset ratio = $\text{Total liabilities} / \text{Total assets}$
- (2) Long term capital to property, plant and equipment ratio = $(\text{Total equity} + \text{non-current liabilities}) / \text{net property, plant and equipment}$

2. Solvency

- (1) Current ratio = $\text{current assets} / \text{current liabilities}$
- (2) Quick ratio = $(\text{current assets} - \text{Inventories} - \text{prepaid expenses}) / \text{current liabilities}$
- (3) Interest coverage ratio = $\text{net profit before income tax and interest expense} / \text{net Interest expense}$ °

3. Operating capacity

- (1) Receivable turnover rate (times) = $\text{Net Sales} / \text{Average balance of receivables}$
- (2) Average cash recovery day = $365 / \text{Receivable turnover rate}$
- (3) Inventory turnover = $\text{cost of sales} / \text{average inventory}$ °
- (4) Payable turnover rate = $\text{cost of sales} / \text{average balance of payables}$
- (5) Days sales outstanding = $365 / \text{Inventory turnover}$ °
- (6) Property, plant and equipment turnover rate = $\text{net sales} / \text{average net Property, plant and equipment}$
- (7) Total asset turnover rate = $\text{net sales} / \text{average total assets}$

4. Profitability

- (1) Return on assets = $[\text{profit after tax} + \text{Interest expenses} \times (1 - \text{tax rate})] / \text{average total assets}$
- (2) Return on equity = $\text{profit after tax} / \text{average total equity}$ °
- (3) Net profit rate = $\text{profit after tax} / \text{net sales}$
- (4) Earnings per share = $(\text{Interests attributable to parent company owner} - \text{preferred stock dividend}) / \text{Weighted average number of issued shares}$

5. Cash flow

- (1) Cash flow ratio = $\text{net cash flow from operating activities} / \text{current liabilities}$
- (2) Cash flow adequacy ratio = $(\text{net cash flow from operating activities within five years} / (\text{capital expenditure} + \text{inventory increase} + \text{cash dividend}) \text{ within five year})$
- (3) Cash reinvestment ratio = $(\text{net cash flow from operating activities} - \text{cash dividend}) / (\text{gross Property, plant and equipment} + \text{long-term investment} + \text{Other noncurrent assets} + \text{working capital})$ °

6. Leverage:

- (1) Operating leverage = $(\text{net operating revenue} - \text{variable operating costs and expenses}) / \text{operating income}$
- (2) Financial leverage = $\text{operating income} / (\text{operating income} - \text{Interest expense})$

6.3 Supervisors' or Audit Committee's Review Report in the Most Recent Year

Qualipoly Chemical Corp.

Audit Committee's Review Report

The Board of Directors has prepared the annual business report, individual and consolidated financial statements, and profit distribution proposal for year 2022. The individual and consolidated financial statements have been audited by PwC Taiwan and an audit report has been issued.

As mentioned above annual business report, individual and consolidated financial statements, and profit distribution proposal have been reviewed by our audit committee, and it is believed that there are no inconsistencies. Therefore, in accordance with the relevant regulations of the Securities and Exchange Act and the Company Act, we hereby report the above information for your reference.

Sincerely,

Qualipoly Chemical Corp.

Audit Committee Convener : Chung Feng Yuan

Date: Mar. 09, 2023

6.4 Consolidated Financial Statements and Independent Auditors' Report:
please refer to Appendix 1

6.5 Parent Company Only Financial Statements and Independent Auditors' Report:
please refer to Appendix 2

6.6 If the Company and Its Affiliates Encounter Any Financial Difficulties in the Past Year and as of the Date of Publication of the Annual Report, the Impact on the Company's Financial Status Shall Be Listed: None

VII. Review and Analysis of Financial Status and Business Results and Risk Issues

7.1 Financial Status

Unit: NT\$ thousand

Item \ Year	2022	2021	Increase or decrease	
			Amount	%
Current assets	2,357,299	2,721,843	(364,544)	(13.4)
Fixed assets	1,532,791	1,449,979	82,812	5.7
Intangible assets	73,366	69,459	3,907	5.6
Other assets	588,186	381,625	206,561	54.1
Total assets	4,551,642	4,622,906	(71,264)	(1.5)
Current liabilities	834,549	1,183,594	(349,045)	(29.5)
Long-term liabilities	737,638	565,000	172,638	30.6
Other liabilities	73,670	91,383	(17,713)	(19.4)
Total liabilities	1,645,857	1,839,977	(194,120)	(10.6)
Capital	1,000,092	1,000,092	-	-
Capital reserve	410,471	410,177	294	0.1
Retained earnings	1,503,698	1,408,602	95,096	6.8
Other interests	(8,476)	(35,942)	27,466	76.4
Treasury stock	-	-	-	-
Total owner's equity	2,905,785	2,782,929	122,856	4.4

7.1.1 Analysis of change exceeding 20% proportion:

1. Other assets increase: mainly due to the payment of construction expenses and equipment purchases for the new AnNan plant, leading to an increase in prepaid equipment expenses in the current year.
2. Current liabilities decrease: mainly due to a decrease in inventory and related expenses resulting from the decline in revenue and profit in the current year, leading to a decrease in accounts payable, notes payable, and other payables. In addition, long-term borrowings were mainly used in the current year, leading to a decrease in short-term borrowings.
3. Long-term liabilities increase: mainly due to the need for long-term funding for the new plant, leading to an increase in long-term borrowings.
4. Other interests increase: mainly due to foreign exchange rate fluctuations, leading to the recognition of translation differences in the financial statements of overseas operating entities.

7.1.2 No any significant impact should be explained.

7.2 Financial Performance

7.2.1 Operating Performance Analysis

Unit: NT\$ thousand

	2022	2021	Increase or decrease Amount	Increase or decrease Ratio (%)
	Total	Total		
Net operating revenue	4,224,680	4,830,426	(605,746)	(12.5)
Operating costs	(3,462,414)	(3,824,508)	(362,094)	(9.5)
Operating margin	762,266	1,005,918	(243,652)	(24.2)
Operating expense	(433,475)	(537,817)	(104,342)	(19.4)
Operating profit	328,791	468,101	(139,310)	(29.8)
Non-operating income and expenses	72,575	14,762	57,813	391.6
Net profit before tax	401,366	482,863	(81,497)	(16.9)
Income tax paid	(86,323)	(115,056)	(28,733)	(25.0)
Net profit	315,043	367,807	(52,764)	(14.3)
Other comprehensive income, net of tax	27,539	(8,720)	36,259	415.8
Total comprehensive income	342,582	359,087	(16,505)	(4.6)
Analysis of change exceeding 20% proportion:				
1. Decrease of operating margin & operating net profit: a decline in operating revenue and gross profit margin due to the global economic construction and high inventory prices.				
2. Non-operating income and expenses increase: Mainly due to the increase in dividend in the current year.				
3. Total income tax expense decrease: Mainly due to the decrease in profit in the current year.				
4. Other comprehensive income (net) increase: Mainly due to the exchange fluctuation and difference from the translation of financial statements of foreign operating entities in the current year.				

7.2.2 Expected sales quantity for the next year and along with corresponding plans which may be potentially impact on the Company's financial business:

The total expected sales quantity in 2023 is 53,868 metric tons, which is the best estimation based on market conditions.

7.3 Cash flow

7.3.1 Liquidity Analysis with last 2 years

Item \ Year	2022	2021	Increase or decrease (%)
Cash flow ratio (%)	87.45	18.70	368
Cash flow adequacy ratio (%)	89.35	72.59	23
Cash reinvestment ratio (%)	12.59	0.66	1,808

Analysis of change exceeding 20% proportion:

- (1) Cash flow ratio increase: mainly due to the decrease in revenue and profit in the current year also decrease in related purchases and expenses. Additionally, the company borrowed more long-term loans this year, leading to a decrease in accounts payable, notes payable, and short-term borrowings. Furthermore, the company collected accounts receivable in a timely manner, resulting in an increase in cash

inflow from operating activities in the current year.

(2) Increase of Cash flow adequacy ratio & cash reinvestment ratio : the increase in cash inflow from operating activities due to the gradual collection of receivables

7.3.2 Insufficient liquidity improved plan: No applicable

7.3.3 Cash Liquidity Analysis Next Year

Cash equivalents at the beginning of year	Net cash outflow from operating activities throughout the year	Net cash outflow from investment activities throughout the year	Net cash inflow from financing activities throughout the year	Cash surplus (Deficit)	Leverage of Cash Deficit	
					Investment Plan	Financial Plan
\$503,198	(\$131,600)	(\$1,390,000)	\$1,434,000	\$ 415,598	None	None

. Analysis of cash flow changes:

- (1) Net cash inflow from operating activities was mainly due to the conservative market demand and the increase in related costs resulting in a decrease in profit and changes in other operating assets and liabilities result in reduced profits in 2023.
- (2) Net cash outflow from investment activities was mainly due to the construction of a new factory in Tainan Technology Industrial Park. The related construction costs will be gradually paid according to the progress of the plant construction plan, and the purchase of related fixed assets is also expected.
- (3) Net cash inflow from investment activities was mainly due to the expected borrowing of funds of the construction of the plant and the payment of dividends.

2. Leverage of cash deficit: No applicable

7.4 Impact of Major Capital Expenditure in the Past Year on the Financial Status

7.4.1 The use of major capital expenditure in the past year:

Unit: NT\$ thousand

Item	Actual or expected sources of capital	Expected completion date	Total amount of capital	Actual or expected use of capital				
				2022	2023	2024	2025	2026
Production equipment-1	Own Funds	2022	46,000	45,867	130	-	-	-
Production equipment-2	Own Funds	2023	50,000	-	50,000			
Clean room equipment	Own Funds	2023	42,000	39,925	2,075	-	-	-
Environmental & fire equipment	Own Funds	2026	94,000	24,000	10,000	25,000	25,000	10,000
Plant equipment (AnAna Plant)	Long-term loan & own funds	2024	470,000	117,383	282,117	70,500	-	-
Production equipment (AnNan Plant)	Long-term loan & own funds	2024	322,880	35,883	238,567	48,430	-	-
Storage & other equipment (AnAna Plant)	Long-term loan & own funds	2024	295,960	43,449	208,121	44,390	-	-
Environmental & fire equipment (AnAna Plant)	Long-term loan & own funds	2024	230,000	49,253	157,747	23,000	-	-

7.4.2 Expected benefits

1. In response to the total amount control of pollution emissions in Kaohsiung City in the future, we will continuously replace oil burners with natural gas burners, which will not only reduce pollution emissions but also reduce greenhouse gas emissions.
2. Continuously add and improve fire-fighting equipment to enhance operational safety in the factory.
3. Reuse of waste in the factory to create a circular economy.

7.5 Re-investment Policy in the Past Year, the Main Reason for Its Profit or Loss, the Improvement Plan and Investment Plan in the Next Year

7.5.1 The main reasons of profits or losses for the recent year's reinvestment policy

We have established overseas holding companies QII, CCII, and CII respectively to reinvest in China and then indirectly reinvested in Qualipoly Technology (Guang Dong) Corp., Qualipoly Technology (Kun Shan) Corp., Dongguan Chao you New Material Co., Ltd, Qualipoly Technology (Shang Hai) Corp., Shanghai Chaojian Chemical Co., Ltd 、Tianjin Qualipoly Chemical Corp. 、Yabang Group Zhangzhou Yabang Chemical Co., Ltd and Zhangzhou New solar Corp. Qualipoly Technology (Guang Dong) Corp., Qualipoly Technology (Kun Shan) Corp., Dongguan Chao you New Material Co., Ltd have made profits mainly due to the sale of high value-added products. Qualipoly Technology (Shang Hai) Corp. has incurred losses due to lower-than-expected sales in China. Tianjin Qualipoly Chemical Corp. 、Yabang Group Zhangzhou Yabang Chemical Co., accounted for as other comprehensive income financial assets-non-current are shut down and are provided for related losses on valuation. Overall, we recognized investment losses of NT\$2,257 million in 2022 for using equity method. In addition, we invested in American Electroninks Inc. this year and became its strategic partner in the Asia-Pacific region, expecting to enter the intermediate electronic materials field internationally, thereby increasing the opportunities for transformation and enhancing the enterprise's image and value.

7.5.2 Improvement:

We will continue to develop the market and increase sales to improve the loss of Qualipoly Technology (Shang Hai)Corp. in the future

7.5.3 Investment plans for the next year: None

7.6 Analysis and Assessment of Risk Issues in the Past Year and as of the Date of Publication of the Annual Report

7.6.1 The impact of recent changes in interest rates, exchange rates, and inflation on the profits and losses, as well as future response:

Interest rate changes: In the consolidated financial statements for 2022, the interest expenses were NT\$12,076,000, accounting for 0.29% of revenue which indicates that interest expenses have little impact on operations. In the future, we will shorten the period for accounts receivable, effectively control inventory, reduce capital demands, decrease borrowing balances and actively look for the sources of low-interest loans to effectively control interest expenses.

Exchange Rate Fluctuations: The proportion of exports has been increasing year by year, and exports are mainly quoted in US dollars and some in euros. Therefore, exchange rate fluctuations would impact on revenue and profit at a certain extent. In order to respond to the risk of exchange rate, we mainly adopt natural hedges and prudent principles to operates forward foreign exchange hedging transactions or foreign currency financing to reduce the impact of exchange rate fluctuation on the profits.

Inflation: We are a professional synthetic materials manufacturer. The main products include unsaturated polyester resins, coating resins, and UV curable materials. The main raw materials are styrene (SM), phthalic anhydride (PA), and glycolic acid (GAA), all of which are part of the chemical raw material industry and are also affected by macroeconomic such as global economic fluctuations and petroleum price fluctuations. As the raw material

costs account for about 85% of the production costs, the related costs rising and operations would be affected by significant fluctuations in the prices of raw materials. We are always aware of changes in raw material prices and improve production processes and research alternativity to be able to use lower-cost raw materials and strengthen cost transfer to reduce the pressure of cost increases and minimize the impact of raw material price fluctuations.

7.6.2 The main reasons and corresponding measures for profits or losses of the high-risk, high-leverage investment, lending, endorsements and guarantees and derivatives carried out in the recent fiscal year

1. We don't engage in high-risk or high-leverage investments or lend money to others. Instead, we carefully select high-performing stocks and funds for short-term investment and do not focus on short-term operations, so we can generally make a profit. As for derivatives, we conduct moderate currency hedges after natural hedges.
2. We don't lend money to others. Also, we comply with the "Regulations for Endorsement and Guarantee" in cases of endorsements and guarantee and the recipients are all subsidiaries of the company. At the end of year 2022, the remaining balance of endorsement and guarantee was NT\$92,130,000.

7.6.3 Future R&D plans and estimation of R&D expenses

1. R&D plans with the last year:
 - (1) Vacuum infusion resin
 - (2) Adhesive for metal industry
 - (3) Environment friendly new generation process UV curable monomer
 - (4) High-end ink and special coating UV curable material
 - (5) 3D printing UV curable material
 - (6) UV curable putty material
 - (7) Green and environmentally friendly recycling material
 - (8) 5G-related material resin
 - (9) SM-related application resin
 - (10) Water borne resin for industrial additives
2. The current progress of the above R&D plans: resin synthesis and physical property testing
3. Expected to be completed in the second half of 2023, with an estimated additional R&D cost of NT\$50,000,000.
4. The main reasons of the success of future R&D are:
 - (1) The prescriptive period of R&D plans will meet customer needs
 - (2) Establishment of an application laboratory will accelerate problem-solving for customer
 - (3) Continuously cooperate with external research units will facilitate the development of cutting-edge products
 - (4) Lower costs compared to imported products as an incentive

7.6.4 The impact and measures to cope with recent important policy and legal changes domestically and abroad on the Company's financial business:

We have consulted and get evaluation recommendations from relevant professional legal and accounting parties and planned corresponding measures to comply with policy and legal changes in order to reduce the impact on the financial status.

7.6.5 Impact and corresponding measures of Technological and Industrial Changes (Including Cyber security Risks) on Financial Status:

We mainly rely on self-research and development for product development. Technological changes can enhance the development of R&D professional technique and improve product quality. By continuously developing new products with technological functions, we strive to achieve our financial status growth.

7.6.6 Impact and corresponding measures of crisis management of Corporate Image Changes:

Implementing enterprise's philosophy of integrity, professionalism, and sustainable operation. We aim to ensuring stable business growth, reasonable profits for shareholders, fair treatment for employees, and establishing a corporate image of providing a high-quality living environment.

7.6.7 Expected benefits, potential risks, and corresponding measures of merger and acquisition: we don't have any plan for merger and acquisition.

7.6.8 Expected benefits, potential risks, and response measures of expanding the factory :

In order to meet the demand of operational development, the Company discussed and approved the purchase of land in the Tainan Science and Technology Industrial Park on May 11, 2021, and the construction plan was approved by the board of directors on March 9, 2022. The plant will be used for future expansion of UV curable materials production. The funding has been obtained through medium and long-term loans of bank, and the shortfall will be addressed using the Company's own funds. The main purpose of this expansion is to meet the existing and future demands of customers, which is beneficial to the Company's future performance growth.

7.6.9 Risks and corresponding measures faced in Centralizing Purchases or Sales:

Our company's suppliers for purchasing are not single-source suppliers in the market and our customers are not concentrated on a few major customers. Therefore, the risks faced in centralizing purchases or sales are relatively low.

7.6.10 Impact, risks, and corresponding measures of major transfers or changes in share ownership by directors, supervisors, or large shareholders holding more than 10% of the Company's shares: no situation of a large transfer or change in company's shares.

7.6.11 Impact, risks and corresponding measures of changes of management rights:

The directors, supervisors, or large shareholders holding more than 10% of the Company's shares have stable equity, any changes in their ownership are unlikely to have a significant impact or risk on the Company.

7.6.12 The final adjudicated or pending contentious or non-contentious business or administrative disputes of the directors, supervisors, general manager, substantial responsible person, major shareholders holding over 10% of the shares, the results may have a significant impact on shareholder equity or securities prices should be disclosed: None

7.6.13 Other important risks and corresponding measures: None

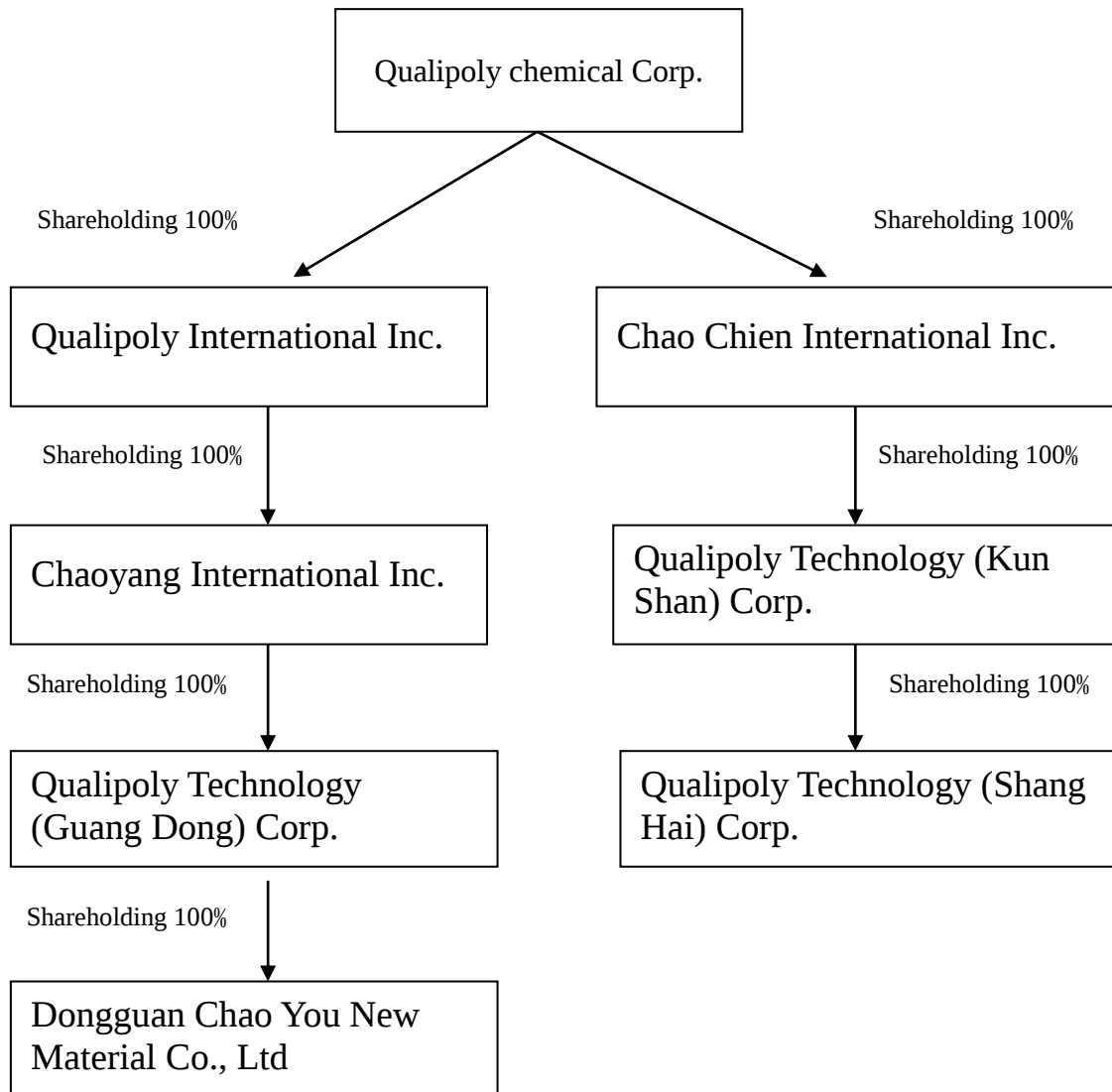
7.7 Other important matters: None

VIII. Special Notes

8.1 Information about the Company's Affiliates

8.1.1 Consolidated business report about the Company's affiliates

1. Organizational chart about company's affiliates



2. Information about the Company's affiliates

Unit: NT\$ thousand

Company	Date of establishment	Address	Paid-in Capital	Major business or production
Qualipoly International Inc.	2001.06.19	Offshore Chambers, P.O. Box 217, Apia, Samoa	US \$ 8,730	General investment and international trading business
Chao Chien International Inc.	2003.09.05	TrustNet Chambers, Lotemau Centre, P.O. Box 1225, Apia, Samoa	US \$ 2,169	General investment and international trading business
Chaoyang International Inc.	2006.08.22	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	US \$ 9,806	General investment and international trading business
Qualipoly Technology (Guang Dong) Corp.	2001.07.25	No.18&20, Huanzhen Rd., Longbang Industrial Development Zone, Duran Town, Jiangmen City, Guangdong Province, China	US \$ 6,500	Manufacturing and sales of unsaturated polyester resin, alkyd resin, and amino resin.
Qualipoly Technology (Kun Shan) Corp.	2015.06.09	Room 804, No.8, Lane 231, Greenland Avenue, Huaqiao Town, Kunshan City, Jiangsu Province, China	US \$ 2,500	Sales of chemical raw materials, UV curable materials, unsaturated polyester resins, and coating resins.
Qualipoly Technology (Shang Hai) Corp.	2018.05.15	Suite A37, Floor 4, No. 2278-5, Zhaozhong Highway, Zhonggu Town, Qingpu District, Shanghai, China	CNY\$3,000	Sales of chemical raw materials, UV curable materials, unsaturated polyester resins, and coating resins.
Dongguan Chao you New Material Co., Ltd	2018.07.26	No. 1110, Floor 11, Lianhe Building, Dongcheng South Rd., Dongguan City, China	CNY\$3,500	Sales of chemical raw materials, UV curable materials, unsaturated polyester resins, and coating resins.

- (1) Presumptive controlled and subsidiary relationships under Article 369-3 of the Company Act: Not applicable.
- (2) Industries covered by the business operations of all related enterprises. (If there are mutual relations between the business operations of each related enterprise, the division of operation should be explained.)

Company	Major business & production	Business relationship with the Company
Qualipoly International Inc.	General investment and international trading business	Overseas holding companies invested by the Company.
Chao Chien International Inc.	General investment and international trading business	Overseas holding companies invested by the Company.
Chaoyang International Inc.	General investment and international trading business	Overseas holding companies invested by the Company.
Qualipoly Technology (Guang Dong) Corp.	Manufacturing and sales of unsaturated polyester resin, alkyd resin, and amino resin.	The company provides technical and administrative support.
Qualipoly Technology (Kun Shan) Corp.	Sales of chemical raw materials, UV curable materials, unsaturated polyester resins, and coating resins.	The company provides sales business and administrative support.
Qualipoly Technology (Shang Hai) Corp.	Sales of chemical raw materials, UV curable materials, unsaturated polyester resins, and coating resins.	The company provides sales business and administrative support.
Dongguan Chao you New Material Co., Ltd	Sales of chemical raw materials, UV curable materials, unsaturated polyester resins, and coating resins.	The company provides sales business and administrative support.

3. The shareholding and investment of directors, supervisors, and general managers of each related company in the enterprise.

(1) The shareholding and investment of directors, supervisors, and general managers of each related company in the enterprise :

Unit: dollars, shares

Company	Position	Name or presentative	Shareholding	
			Shares	%
Qualipoly International Inc.	Director	Qualipoly chemical Corp. : Tsai Yu Liang	8,730,000	100%
Chao Chien International Inc.	Director	Qualipoly chemical Corp. : Tsai Yu Liang	2,169,000	100%
Chaoyang International Inc.	Director	Qualipoly International Inc. : Tsai Yu Liang	9,805,738	100%
Qualipoly Technology (Guang Dong) Corp.	Director	Chaoyang International Inc. : Tsai Ching Yuan	US \$ 6,500,000	100%
Qualipoly Technology (Kun Shan) Corp.	Director	Chao Chien International Inc. : Tsai Yu Liang	US \$ 2,500,000	100%
Qualipoly Technology (Shang Hai) Corp.	Director	Qualipoly Technology (Kun Shan) Corp. : Su Hsin Lung	CNY\$3,000,000	100%
Dongguan Chao you New Material Co., Ltd	Director	Qualipoly Technology (Guang Dong) Corp. : Tsai Ching Yuan	CNY\$3,500,000	100%

(2) Operation profile about the Company's affiliates

Unit: NT\$ thousand

Company	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating gains (losses)	Net gains (losses)	Earnings per share
Qualipoly International Inc.	US 8,730	408,335	731	407,604	0	(72)	6,830	0.78
Chao Chien International Inc.	US 2,169	272,456	13,963	258,493	0	(45)	(8,390)	(3.87)
Chaoyang International Inc.	US 9,806	391,645	0	391,645	0	0	12,929	1.32
Qualipoly Technology (Guang Dong) Corp.	US 6,500	354,233	34,362	319,871	432,798	14,018	12,547	Note
Qualipoly Technology (Kun Shan) Corp.	US 2,500	188,806	54,266	134,540	294,507	12,130	6,441	Note
Qualipoly Technology (Shang Hai) Corp.	CNY3,000	9,913	58	9,855	2,439	(1,102)	(1,096)	Note
Dongguan Chao you New Material Co., Ltd	CNY3,500	38,933	13,509	25,423	46,076	1,955	1,459	Note

Note : As a limited company, it is not applicable.

8.1.2 Consolidated financial statements about the Company's affiliates: please refer Appendix I.

8.1.3 Report about the Company's affiliates: None

8.2 Private Securities in the Past Year and as of the Date of Publication of the Annual Report: None.

8.3 Holding or Disposal of the Company's Shares by Affiliates in the Past Year and as of the Date of Publication of the Annual Report: None

8.4 Other Necessary Supplementary Notes: None

8.5 Matters in the Past Year and as of the Date of Publication of the Annual Report Which Have a Substantial Impact on Owner's Equity as Stipulated in Item 2, Paragraph 3 of Article 36 of the Securities Exchange Law: None

IX. Other Disclosure

9.1 The Evaluation Criteria and Basis for the Provision Method of Asset and Liability Accounts

(1) Foreign currency translation

Items included in the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Group's functional and the Company's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'Other gains and losses.'

B. Translation of foreign operations

- (a) The financial performance and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(2) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(3) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. Dividends income are recognized in consolidated comprehensive income statements when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value: The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue in the consolidated statement of comprehensive income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(5) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. The Group's restricted deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(6) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(7) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost transfer is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses. If the cost exceeds net realizable value, valuation loss is accrued and recognized in operating costs. If the net realizable value reverses, valuation is eliminated within the credit balance and is recognized as deduction of operating costs.

(8) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(10) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Assets</u>	<u>Useful lives</u>
Buildings (including auxiliary facilities)	1 ~ 55 years
Machinery	1 ~ 20 years
Transportation equipment	2 ~ 15 years
Office equipment	3 ~ 15 years
Other equipment	1 ~ 25 years

(12) Leasing arrangements (lessee) – right-of-use assets/lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, and less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability; and
 - (b) Any lease payments made at or before the commencement date.The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the

carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognize the difference in profit or loss.

(13) Intangible assets

A. Licences

Licences are recognized at cost and amortized on a straight-line basis over its estimated useful life of 3 to 5 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(14) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amount of goodwill is evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill will not be reversed in subsequent years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(15) Borrowings

A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(16) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(18) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings .

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(19) Employee stock-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

B. When the Group reissues treasury stocks to employees, the grant date is the date the Board of Directors approves and confirms the purchase price and the number of treasury stocks reissued to employees.

C. When the Group issues employee stock options to employees, the grant date is the date the Board of Directors approves and confirms the purchase price and the number of employee stock options to employees.

(20) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(21) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(22) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(23) Revenue recognition

A. Sales of goods

- (a) Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales revenue is recognized based on the contract price net of sales discount. Sales discounts and allowances are granted to customers due to consumer complaint, recognition of contract price deviation and contract prepayment. The Group's revenue is recognized upon delivery of goods for domestic sales and upon shipment of goods for export sales, it is highly likely that there will be no significant reversal of sales in the future. The estimation is subject to an assessment at each reporting date. A credit item to accounts receivable is recognized for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. Sales are usually paid in cash or through the issuance of a letter of credit before delivery and have an average credit term of 90 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(24) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

9.2 Risk Management Organization and Responsible Unit

Major risk assessment	Department of sponsor	Risk review and control department
Change in interest rates, exchange rates and inflation	Financial Dept.	Senior manager
High-risk, high-leverage investments, lending funds to others, derivative financial products, financial investments	Financial Dept.	Senior manager
Future research plans and expected R&D expenses	R&D Division	General Manager
Domestic and international important policies and legal changes	Operating Committee 、 Financial Dept. 、 Administration Dept.	General Manager
Technological and industry changes	Sales & Marketing Dept. 、 R&D Division	General Manager
Enterprise image changes	Operating Committee	General Manager
Expansion of plant	Production Dept.	General Manager
Concentration of purchases & sales	Sales & Marketing Dept. 、 Administration Dept.	General Manager
Particulars about Changes in Shareholding and Equity Pledge of Directors, Supervisors and Shareholders Holding More Than 10% of the Company's Shares	Financial Dept. 、 Stock Dept.	Senior manager
Changes in management control	Financial Dept.	Senior manager

9.3 Other Necessary Supplementary Notes

In order to establish a sound system for internal significant information processing and disclosing, and to avoid improper data breach, as well as to ensure consistency and accuracy in the Company's external information disclosure, we have established procedures for handling significant internal information. These procedures have been approved by the Board of Directors and made public to all employees, and has been disclosed on the Company's website (<http://chinese.qualipoly.com.tw/>)

Appendix I: 2022 Consolidated Financial Statements

QUALIPOLY CHEMICAL CORP.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2022, pursuant to Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, the entities that are required to be included in the consolidated financial statements of affiliates, are the same as the entities required to be included in the consolidated financial statements under International Financial Reporting Standard No. 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare consolidated financial statements of affiliates.

Hereby declare,

QUALIPOLY CHEMICAL CORP.

March 9, 2023

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Qualipoly Chemical Corp.

Opinion

We have audited the accompanying consolidated balance sheets of Qualipoly Chemical Corp. and subsidiaries (the “Group”) as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Assessment of the adequacy of allowance for doubtful notes and accounts receivable

Description

Refer to Note 4(11) for accounting policies on impairment of financial asset, Note 5(2) for uncertainty of accounting estimates and assumptions on notes and accounts receivable and Note 6(3) for details of notes and accounts receivable, net. As of December 31, 2022, the carrying amounts of notes and accounts receivable and allowance for uncollectible accounts were NT\$765,103 thousand and NT\$32,230 thousand, respectively.

The Group's provision policies on allowance for uncollectible accounts takes into account the customers' characteristics, historical experience of collection, the economic situation in the country where the customer is located and customers' financial status in order to comprehensively assess the collectability of receivable accounts from non-related parties, and apply the modified approach using a provision matrix to estimate loss rate for different ranges in the aging of receivables which will be used in determining the amount of the loss provision.

As the determination of the allowance for uncollectible accounts involves management's subjective judgments and a high degree of estimation uncertainty, and considering that the carrying amounts of notes and accounts receivable and allowance for uncollectible accounts are material to the consolidated financial statements, we considered the assessment of the adequacy of allowance for doubtful notes and accounts receivable a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Assessed the reasonableness of the policy and procedures to recognize allowance for uncollectible accounts.
2. Verified the correctness of the aging classification of notes and accounts receivable to ensure ascertain whether the information reflected in the aging report is consistent with the Group's policies.
3. Selected samples and reviewed the reasonableness of the loss rate for each ageing range, which was used as basis of management in determining the provision for uncollectible accounts.
4. Tested the report used in the valuation of notes and accounts receivable and assessed the adequacy of allowance for notes and accounts receivable.

Valuation of inventories

Description

Refer to Note 4(10) for accounting policies on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation and Note 6(4) for details of inventories and allowance for valuation loss. As of December 31, 2022, the carrying amount of inventories and allowance for inventory valuation losses were NT\$1,127,399 thousand and NT\$89,205 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of UV curable materials, unsaturated polyester resins (UP resins) and synthetic resin with various usages, etc. The valuation of these inventories is subject to market demand in different channels, changes in technology and other factors. Thus, there is a risk of inventory valuation losses or obsolescence. The Group's inventories are measured at the lower of cost and net realizable value. For inventories that are over a certain age and individually identified as obsolete, the net realizable value is evaluated based on the inventory clearance and historical data of discounts.

As the provision of allowance for inventory valuation losses involve management's subjective judgements and a high degree of estimation uncertainty and considering that the carrying amounts of inventories and allowance for valuation losses are material to the consolidated financial statements, we considered the valuation of allowance for inventories a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Assessed the reasonableness of the policy and procedures to recognize allowance for inventory valuation losses.
2. Obtained an understanding of the warehouse management processes, reviewed the annual physical inventory count plan and participated in the annual inventory count in order to evaluate the effectiveness of the procedures used to identify and control obsolete inventories.
3. Verified the correctness of inventory aging report to ascertain whether the information reflected in the aging report is consistent with the Group's policies.
4. Tested the report used in the inventory valuation and assessed the adequacy of allowance for inventory valuation losses.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial

statements of Qualipoly Chemical Corp. as of and for the years ended December 31, 2022 and 2021.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, 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, including the audit committee, 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 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 appropriate audit evidence regarding the financial information of the 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 of the current year 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.

Tien, Chung-Yu

Independent Accountants

Yeh, Fang-Ting

PricewaterhouseCoopers, Taiwan

Republic of China

March 9, 2023

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

QUALIPOLY CHEMICAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	503,198	11	\$	293,715	6
1110	Financial assets at fair value through profit or loss - current	6(2)		17,174	-		24,975	1
1136	Financial assets at amortized cost - current	6(1)		-	-		45,835	1
1150	Notes receivable, net	5(2) and 6(3)		110,151	3		181,895	4
1170	Accounts receivable, net	5(2) and 6(3)		622,722	14		1,066,262	23
1200	Other receivables			11,740	-		13,400	-
130X	Inventories	5(2) and 6(4)		1,038,194	23		1,021,040	22
1410	Prepayments			46,965	1		62,645	2
1479	Other current assets			7,155	-		12,076	-
11XX	Total current assets			2,357,299	52		2,721,843	59
Non-current assets								
1510	Financial assets at fair value through profit or loss - non-current	6(2)		132,239	3		203,466	4
1517	Financial assets at fair value through other comprehensive income - non-current	6(5)		56,840	1		-	-
1600	Property, plant and equipment	6(6) and 8		1,532,791	34		1,449,979	31
1755	Right-of-use assets	6(7)		22,587	-		23,295	1
1780	Intangible assets	6(8)(9)		73,366	2		69,459	2
1840	Deferred income tax assets	6(26)		38,369	1		41,242	1
1915	Prepayments for equipment	6(6)		272,903	6		40,774	1
1920	Guarantee deposits paid	6(6)		57,603	1		65,726	1
1975	Net defined benefit assets - non-current	6(14)		191	-		99	-
1990	Other non-current assets			7,454	-		7,023	-
15XX	Total non-current assets			2,194,343	48		1,901,063	41
1XXX	Total assets		\$	4,551,642	100	\$	4,622,906	100

(Continued)

QUALIPOLY CHEMICAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021			
			AMOUNT	%	AMOUNT	%		
Current liabilities								
2100	Short-term borrowings	6(10) and 8	\$	112,614	3	\$	299,114	7
2110	Short-term notes and bills payable	6(11)		1,036	-		2,556	-
2150	Notes payable			106,227	2		217,452	5
2170	Accounts payable			163,821	4		245,396	5
2200	Other payables	6(12)		247,687	5		293,346	6
2230	Current income tax liabilities	6(26)		100,732	2		100,033	2
2280	Lease liabilities - current	6(7)		696	-		688	-
2320	Long-term liabilities, current portion	6(13) and 8		90,000	2		5,000	-
2399	Other current liabilities	6(19)		11,736	-		20,009	1
21XX	Total current liabilities			834,549	18		1,183,594	26
Non-current liabilities								
2540	Long-term borrowings	6(13) and 8		737,638	16		565,000	12
2570	Deferred income tax liabilities	6(26)		72,254	2		89,271	2
2580	Lease liabilities - non-current	6(7)		1,416	-		2,112	-
25XX	Total non-current liabilities			811,308	18		656,383	14
2XXX	Total liabilities			1,645,857	36		1,839,977	40
Equity attributable to owners of parent								
Share capital								
3110	Common stock	6(15)		1,000,092	22		1,000,092	22
3200	Capital surplus	6(16)(17)		410,471	9		410,177	9
	Retained earnings	6(18)						
3310	Legal reserve			381,218	8		344,440	7
3320	Special reserve			35,942	1		27,252	1
3350	Unappropriated retained earnings			1,086,538	24		1,036,910	22
3400	Other equity interest		(	8,476)	-	(	35,942)	(1)
3XXX	Total equity			2,905,785	64		2,782,929	60
Significant Contingent Liabilities and		9						
Unrecognized Contract Commitments								
Significant event after the balance sheet date		11						
3X2X	Total liabilities and equity		\$	4,551,642	100	\$	4,622,906	100

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

QUALIPOLY CHEMICAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	For the years ended December 31,			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(19)	\$ 4,224,680	100	\$ 4,830,426	100
5000	Operating costs	6(4)(7)(14)(16)(24)(25) and 7	(3,462,414)	(82)	(3,824,508)	(79)
5900	Operating margin		762,266	18	1,005,918	21
	Operating expenses	6(7)(8)(14)(16)(24)(25), 7 and 12				
6100	Selling expenses		(263,837)	(6)	(343,547)	(7)
6200	General and administrative expenses		(121,734)	(3)	(127,158)	(3)
6300	Research and development expenses		(53,373)	(1)	(55,122)	(1)
6450	Expected credit gains (losses)		5,469	-	11,990	-
6000	Total operating expenses		(433,475)	(10)	(537,817)	(11)
6900	Operating profit		328,791	8	468,101	10
	Non-operating income and expenses					
7100	Interest income	6(20)	1,461	-	1,156	-
7010	Other income	6(21)	83,658	2	26,206	-
7020	Other gains and losses	6(2)(22)	(468)	-	(7,463)	-
7050	Finance costs	6(6)(7)(23)	(12,076)	(1)	(5,137)	-
7000	Total non-operating income and expenses		72,575	1	14,762	-
7900	Profit before income tax		401,366	9	482,863	10
7950	Income tax expense	6(26)	(86,323)	(2)	(115,056)	(3)
8200	Profit for the year		\$ 315,043	7	\$ 367,807	7
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial gain (loss) on defined benefit plans	6(14)	\$ 91	-	(\$ 37)	-
8349	Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	6(26)	(18)	-	7	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		34,332	1	(10,863)	-
8399	Income tax related to the components of other comprehensive (loss) income that will be reclassified to profit or loss	6(26)	(6,866)	-	2,173	-
8300	Other comprehensive income (loss) for the year		\$ 27,539	1	(\$ 8,720)	-
8500	Total comprehensive income for the year		\$ 342,582	8	\$ 359,087	7
	Profit attributable to:					
8610	Owners of the parent		\$ 315,043	7	\$ 367,807	7
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 342,582	8	\$ 359,087	7
	Earnings per share (in dollars)	6(27)				
9750	Basic		\$ 3.15		\$ 3.73	
9850	Diluted		\$ 3.14		\$ 3.73	

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

QUALIPOLY CHEMICAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent									
		Share capital – common stock	Capital Surplus			Retained Earnings		Other Equity Interest			
			Additional paid-in capital	Treasury stock transactions	Employee stock options	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Treasury stocks	Total
<u>For the year ended December 31, 2021</u>											
Balance at January 1, 2021		\$ 1,000,092	\$ 386,806	\$ 5,517	\$ -	\$ 316,296	\$ 20,595	\$ 899,456	(\$ 27,252)	(\$ 62,056)	\$ 2,539,454
Profit for the year		-	-	-	-	-	-	367,807	-	-	367,807
Other comprehensive loss for the year		-	-	-	-	-	-	(30)	(8,690)	-	(8,720)
Total comprehensive income (loss)		-	-	-	-	-	-	367,777	(8,690)	-	359,087
Distribution of 2020 earnings:											
Legal reserve		-	-	-	-	28,144	-	(28,144)	-	-	-
Special reserve		-	-	-	-	-	6,657	(6,657)	-	-	-
Cash dividends	6(18)	-	-	-	-	-	-	(195,522)	-	-	(195,522)
Compensation cost recognized in transfer of treasury stocks	6(16)(25)	-	-	-	18,029	-	-	-	-	-	18,029
Transfer of treasury stocks	6(15)(16)	-	-	17,854	(18,029)	-	-	-	-	62,056	61,881
Balance at December 31, 2021		\$ 1,000,092	\$ 386,806	\$ 23,371	\$ -	\$ 344,440	\$ 27,252	\$ 1,036,910	(\$ 35,942)	\$ -	\$ 2,782,929
<u>For the year ended December 31, 2022</u>											
Balance at January 1, 2022		\$ 1,000,092	\$ 386,806	\$ 23,371	\$ -	\$ 344,440	\$ 27,252	\$ 1,036,910	(\$ 35,942)	\$ -	\$ 2,782,929
Profit for the year		-	-	-	-	-	-	315,043	-	-	315,043
Other comprehensive income for the year		-	-	-	-	-	-	73	27,466	-	27,539
Total comprehensive income		-	-	-	-	-	-	315,116	27,466	-	342,582
Distribution of 2021 earnings:											
Legal reserve		-	-	-	-	36,778	-	(36,778)	-	-	-
Special reserve		-	-	-	-	-	8,690	(8,690)	-	-	-
Cash dividends	6(18)	-	-	-	-	-	-	(220,020)	-	-	(220,020)
Compensation cost recognized in employee stock options	6(16)(25)	-	-	-	294	-	-	-	-	-	294
Balance at December 31, 2022		\$ 1,000,092	\$ 386,806	\$ 23,371	\$ 294	\$ 381,218	\$ 35,942	\$ 1,086,538	(\$ 8,476)	\$ -	\$ 2,905,785

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

QUALIPOLY CHEMICAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 401,366	\$ 482,863
Adjustments			
Adjustments to reconcile profit (loss)			
Loss (gain) on financial assets at fair value through profit or loss	6(2)(22)	84,620	(13,729)
Expected credit (gain) loss	12	(5,469)	11,990
Provision (reversal of allowance) for inventory market price decline	6(4)	39,738	(295)
Depreciation	6(6)(7)(24)	59,533	59,386
Loss on disposal of property, plant and equipment	6(22)	23	22
Amortization	6(8)(24)	3,359	3,942
Interest income	6(20)	(1,461)	(1,156)
Dividend income	6(21)	(79,472)	(22,188)
Exchange loss (gain)	6(29)	4	(568)
Finance costs	6(23)	12,076	5,137
Compensation cost recognized in transfer of treasury stocks	6(16)(25)	-	18,029
Compensation cost recognized in employee stock options	6(16)(25)	294	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		13,922	95,284
Notes receivable		71,744	(30,355)
Accounts receivable		448,937	(239,502)
Other receivables		6,139	(5,124)
Inventories	(	57,097)	(346,980)
Prepayments		15,680	(5,975)
Other current assets		4,921	(1,244)
Net defined benefits assets - non-current	(	1)	(1)
Changes in operating liabilities			
Notes payable	(	111,225)	17,947
Accounts payable	(	81,575)	165,346
Other payables	(	45,823)	102,561
Other current liabilities	(	8,273)	4,960
Cash inflow generated from operations		771,960	300,350
Interest received		1,461	1,156
Dividends received	6(28)	74,993	22,188
Interest paid	(	11,912)	(4,797)
Income tax paid	(	106,652)	(97,575)
Net cash flows from operating activities		729,850	221,322

(Continued)

QUALIPOLY CHEMICAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets at amortized cost - current		\$ 45,835	(\$ 45,835)
Increase in financial assets at fair value through other comprehensive income - non-current	6(5) and 12(3)	(56,840)	-
Acquisition of property, plant and equipment	6(6)	-	(158)
Proceeds from disposal of property, plant and equipment		125	-
Acquisition of intangible assets	6(8)	(185)	(306)
Increase in prepayments for equipment		(371,689)	(637,931)
Interest paid for prepayments for equipment	6(6)(23)	(1,028)	-
Decrease (increase) in guarantee deposits paid		8,123	(65,481)
Increase in other non-current assets		(431)	(3,245)
Net cash flows used in investing activities		(376,090)	(752,956)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	6(29)	(186,504)	210,814
(Decrease) increase in short-term notes and bills payable	6(29)	(1,520)	627
Payments for lease liabilities	6(29)	(688)	(680)
Increase in long-term borrowings	6(29)	260,138	570,000
Decrease in long-term borrowings	6(29)	(2,500)	-
Payments for cash dividends	6(18)	(220,020)	(195,522)
Transfer of treasury stocks	6(15)	-	61,881
Net cash flows (used in) from financing activities		(151,094)	647,120
Effect of foreign exchange		6,817	(2,766)
Net increase in cash and cash equivalents		209,483	112,720
Cash and cash equivalents at beginning of year	6(1)	293,715	180,995
Cash and cash equivalents at end of year	6(1)	<u>\$ 503,198</u>	<u>\$ 293,715</u>

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

QUALIPOLY CHEMICAL CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

(1) Qualipoly Chemical Corp. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C) in November 1978. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture and sales UV curable materials, unsaturated polyester resins (UP resins) and synthetic resin with various usages, etc. For the subsidiaries’ scope of business, refer to Note 4(3), ‘Basis of consolidation’.

(2) The shares of the Company had been traded on the Taipei Exchange since December 2001 and it transfers to be listed on the Taiwan Stock Exchange since August 2012.

2. The Date of Authorization for Issuance of the Consolidated Financial Statements and Procedures for Authorization

These consolidated financial statements were authorized for issuance by the Board of Directors on March 9, 2023.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board (“IASB”)
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 — 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

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as

the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit assets recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, ‘Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty’.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of investors	Name of subsidiaries	Business activities	Ownership (%)	
			December 31, 2022	December 31, 2021
Qualipoly Chemical Corp.	Qualipoly International Inc.	General investment and international trading business	100.00	100.00
Qualipoly Chemical Corp.	Chao Chien International Inc.	General investment and international trading business	100.00	100.00
Qualipoly International Inc.	Chaoyang International Inc.	General investment and international trading business	100.00	100.00
Chao Chien International Inc.	Qualipoly Technology (Kunshan) Corp.	Sale of chemical raw materials, UV curable materials, unsaturated polyester resins (UP resins) and coating resins	100.00	100.00
Chaoyang International Inc.	Qualipoly Technology (Guangdong) Corp.	Manufacture and sale of unsaturated polyester resin, alkyd resin, and aminoalkyd resin	100.00	100.00
Qualipoly Technology (Kunshan) Corp.	Qualipoly Technology (Shanghai) Corp.	Sale of chemical raw materials, UV curable materials, unsaturated polyester resins (UP resins) and coating resins	100.00	100.00
Qualipoly Technology (Guangdong) Corp.	Dongguan Chao You New Material Co., Ltd	Sale of chemical raw materials, UV curable materials, unsaturated polyester resins (UP resins) and coating resins	100.00	100.00

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: Not applicable.

(4) Foreign currency translation

Items included in the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Group's functional and the Company's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'Other gains and losses.'

B. Translation of foreign operations

- (a) The financial performance and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - iv. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - v. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - vi. All resulting exchange differences are recognized in other comprehensive income.
- (b) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. Dividends income are recognized in consolidated comprehensive income statements when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue in the consolidated statement of comprehensive income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
- (b) The assets' contractual cash flows represent solely payments of principal and interest.

B. The Group's restricted deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost transfer is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses. If the cost exceeds net realizable value, valuation loss is accrued and recognized in operating costs. If the net realizable value reverses, valuation is eliminated within the credit balance and is recognized as deduction of operating costs.

(11) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts.

On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Assets	Useful lives
Buildings (including auxiliary facilities)	1 ~ 55 years
Machinery	1 ~ 20 years
Transportation equipment	2 ~ 15 years
Office equipment	3 ~ 15 years
Other equipment	1 ~ 25 years

(14) Leasing arrangements (lessee) – right-of-use assets/lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, and less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability; and
 - (b) Any lease payments made at or before the commencement date.The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognize the difference in profit or loss.

(15) Intangible assets

A. Licences

Licences are recognized at cost and amortized on a straight-line basis over its estimated useful life of 3 to 5 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(16) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have

been if the impairment had not been recognized.

- B. The recoverable amount of goodwill is evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill will not be reversed in subsequent years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(17) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(18) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

iii. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

iv. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings .

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Employee stock-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.
- B. When the Group reissues treasury stocks to employees, the grant date is the date the Board of Directors approves and confirms the purchase price and the number of treasury stocks reissued to employees.
- C. When the Group issues employee stock options to employees, the grant date is the date the Board of Directors approves and confirms the purchase price and the number of employee stock options to employees.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(23) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Revenue recognition

A. Sales of goods

- (a) Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales revenue is recognized based on the contract price net of sales discount. Sales discounts and allowances are granted to customers due to consumer complaint, recognition of contract price deviation and contract prepayment. The Group's revenue is recognized upon delivery of goods for domestic sales and upon shipment of goods for export sales, it is highly likely that there will be no significant reversal of sales in the future. The estimation is subject to an assessment at each reporting date. A credit item to accounts receivable is recognized for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. Sales are usually paid in cash or through the issuance of a letter of credit before delivery and have an average credit term of 90 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption
Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Valuation of notes and accounts receivable

(a) The Group applies the modified approach using a provision matrix to estimate expected credit loss, taking into account the customers' characteristics, historical experience of collection, economic situation in the country where the customer is located, and the customers' financial status. Because the expected credit loss was measured and calculated based on the loss rate of the asset, thus, significant impairment loss will occur when the expected credit loss was greater than estimation in the future.

(b) As of December 31, 2022, the carrying amount of notes and accounts receivable was \$732,873.

B. Valuation of inventories

(a) As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Because of the effects from market demand in different channels, changes in technology and other factors, the Group assesses the amounts of normal consumption, obsolescence or without market value, and wrote off the inventory cost to net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the

valuation.

(b) As of December 31, 2022, the carrying amount of inventories was \$1,038,194.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash:		
Cash on hand and revolving funds	\$ 807	\$ 701
Checking accounts and demand deposits	<u>502,391</u>	<u>293,014</u>
	<u>\$ 503,198</u>	<u>\$ 293,715</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2022 and 2021, the Group had restricted cash due to the application of Repatriated Offshore Funds Act in the amount of \$— and \$45,835, respectively, which were listed as ‘Financial assets at amortized cost – current’.

C. As of December 31, 2022 and 2021, the Group had no cash and cash equivalents pledged to others as collateral.

(2) Financial assets at fair value through profit or loss

<u>Asset item</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 14,400	\$ 22,325
Valuation adjustment	<u>2,774</u>	<u>2,650</u>
	<u>\$ 17,174</u>	<u>\$ 24,975</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	\$ 78,797	\$ 71,022
Valuation adjustment	<u>53,442</u>	<u>132,444</u>
	<u>\$ 132,239</u>	<u>\$ 203,466</u>

A. The Group recognized net (loss) gain amounting to (\$84,620) and \$13,729 (listed as ‘Other gains and losses’) on financial assets at fair value through profit or loss for the years ended December 31, 2022 and 2021, respectively.

B. As of December 31, 2022 and 2021, the Group has no financial assets at fair value through profit or loss pledged to others as collateral.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2), ‘Financial instruments’.

(3) Notes and accounts receivable, net

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	<u>\$ 110,151</u>	<u>\$ 181,895</u>
Accounts receivable	<u>\$ 654,952</u>	<u>\$ 1,105,303</u>
Less: Allowance for uncollectible accounts	<u>(32,230)</u>	<u>(39,041)</u>
	<u>\$ 622,722</u>	<u>\$ 1,066,262</u>

A. The aging analysis of notes receivable and accounts receivable (including related parties) is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable		
Within the credit period	<u>\$ 110,151</u>	<u>\$ 181,895</u>
Accounts receivable		
Within the credit period	<u>\$ 558,879</u>	<u>\$ 969,488</u>
Overdue up to 30 days	<u>71,118</u>	<u>112,983</u>
Overdue 31 to 90 days	<u>14,972</u>	<u>11,741</u>
Overdue 91 to 150 days	<u>2,302</u>	<u>1,752</u>
Overdue over 150 days	<u>7,681</u>	<u>9,339</u>
	<u>\$ 654,952</u>	<u>\$ 1,105,303</u>

The above aging analysis was based on past due date.

- B. As of December 31, 2022 and 2021, notes and accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$1,026,131.
- C. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk was the carrying amount.
- D. As of December 31, 2022 and 2021, the Group had no notes and accounts receivable pledged to others as collateral.
- E. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(4) Inventories

December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 470,423	(\$ 34,887)	\$ 435,536
Supplies	14,160	(197)	13,963
Work in progress	133,981	(15,048)	118,933
Finished goods	508,835	(39,073)	469,762
	<u>\$ 1,127,399</u>	<u>(\$ 89,205)</u>	<u>\$ 1,038,194</u>

December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 439,153	(\$ 19,205)	\$ 419,948
Supplies	27,991	(66)	27,925
Work in progress	100,319	(9,087)	91,232
Finished goods	502,839	(20,904)	481,935
	<u>\$ 1,070,302</u>	<u>(\$ 49,262)</u>	<u>\$ 1,021,040</u>

The cost of inventories recognized as expense for the year.

	For the years ended December 31,	
	2022	2021
Cost of goods sold	\$ 3,426,979	\$ 3,823,781
Loss on scrapped inventories	1,511	6,860
Provision (reversal of allowance) for inventory market price decline (Note)	39,738 (	295)
Gain on physical inventories	(5,061)	(4,872)
Sales from sales of scraps	(753)	(966)
	<u>\$ 3,462,414</u>	<u>\$ 3,824,508</u>

(Note) For the year ended December 31, 2021, the Group reversed a previous inventory write-down as a result of subsequent sales and scraps of certain inventories which were previously provided with allowance.

(5) Financial assets at fair value through other comprehensive income – non-current

<u>Items</u>	<u>December 31, 2022</u>
Equity instruments	
Unlisted stocks	<u>\$ 56,840</u>

- A. On March 9, 2022, the Group invested \$56,840 in Electroninks, Inc. The purpose of the investment was to enter the field of international intermediate-level electronic materials, thereby enhancing the opportunity of transformation of the Group's high value added products and upgrading the Group's image and value.
- B. The Group has elected to classify the investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income.
- C. As of December 31, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was the carrying amount.
- D. As of December 31, 2022, the Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2), 'Financial instruments'.
- F. There was no such situation as of December 31, 2021.

(6) Property, plant and equipment

	Land	Buildings	Machinery	Transportation equipment	Office equipment	Other equipment	Total
<u>January 1, 2022</u>							
Cost	\$ 916,776	\$ 353,427	\$ 804,180	\$ 86,399	\$ 5,818	\$ 210,936	\$ 2,377,536
Accumulated depreciation	-	(156,193)	(545,304)	(57,485)	(3,945)	(164,630)	(927,557)
	<u>\$ 916,776</u>	<u>\$ 197,234</u>	<u>\$ 258,876</u>	<u>\$ 28,914</u>	<u>\$ 1,873</u>	<u>\$ 46,306</u>	<u>\$ 1,449,979</u>
<u>For the year ended December 31, 2022</u>							
At January 1	\$ 916,776	\$ 197,234	\$ 258,876	\$ 28,914	\$ 1,873	\$ 46,306	\$ 1,449,979
Transfers from prepayments for equipment	37,622	41,178	49,645	5,362	533	6,248	140,588
Depreciation	-	(12,549)	(33,560)	(4,919)	(395)	(7,065)	(58,488)
Disposal - cost	-	-	(181)	(470)	(525)	(1,425)	(2,601)
- accumulated depreciation	-	-	166	434	491	1,362	2,453
Net exchange differences	-	459	224	22	-	155	860
At December 31	<u>\$ 954,398</u>	<u>\$ 226,322</u>	<u>\$ 275,170</u>	<u>\$ 29,343</u>	<u>\$ 1,977</u>	<u>\$ 45,581</u>	<u>\$ 1,532,791</u>
<u>December 31, 2022</u>							
Cost	\$ 954,398	\$ 395,840	\$ 855,394	\$ 91,382	\$ 5,826	\$ 217,014	\$ 2,519,854
Accumulated depreciation	-	(169,518)	(580,224)	(62,039)	(3,849)	(171,433)	(987,063)
	<u>\$ 954,398</u>	<u>\$ 226,322</u>	<u>\$ 275,170</u>	<u>\$ 29,343</u>	<u>\$ 1,977</u>	<u>\$ 45,581</u>	<u>\$ 1,532,791</u>

	Land	Buildings	Machinery	Transportation equipment	Office equipment	Other equipment	Total
<u>January 1, 2021</u>							
Cost	\$ 336,462	\$ 345,143	\$ 798,670	\$ 85,212	\$ 5,986	\$ 209,163	\$ 1,780,636
Accumulated depreciation	-	(144,958)	(512,037)	(52,833)	(3,878)	(158,842)	(872,548)
	<u>\$ 336,462</u>	<u>\$ 200,185</u>	<u>\$ 286,633</u>	<u>\$ 32,379</u>	<u>\$ 2,108</u>	<u>\$ 50,321</u>	<u>\$ 908,088</u>
<u>For the year ended December 31, 2021</u>							
At January 1	\$ 336,462	\$ 200,185	\$ 286,633	\$ 32,379	\$ 2,108	\$ 50,321	\$ 908,088
Additions	-	-	-	-	-	158	158
Transfers from prepayments for equipment	580,314	8,712	7,289	1,219	94	2,799	600,427
Depreciation	-	(11,488)	(34,947)	(4,675)	(329)	(6,909)	(58,348)
Disposal - cost	-	-	(1,173)	-	(262)	(870)	(2,305)
- accumulated depreciation	-	-	1,155	-	262	866	2,283
Net exchange differences	-	(175)	(81)	(9)	-	(59)	(324)
At December 31	<u>\$ 916,776</u>	<u>\$ 197,234</u>	<u>\$ 258,876</u>	<u>\$ 28,914</u>	<u>\$ 1,873</u>	<u>\$ 46,306</u>	<u>\$ 1,449,979</u>
<u>December 31, 2021</u>							
Cost	\$ 916,776	\$ 353,427	\$ 804,180	\$ 86,399	\$ 5,818	\$ 210,936	\$ 2,377,536
Accumulated depreciation	-	(156,193)	(545,304)	(57,485)	(3,945)	(164,630)	(927,557)
	<u>\$ 916,776</u>	<u>\$ 197,234</u>	<u>\$ 258,876</u>	<u>\$ 28,914</u>	<u>\$ 1,873</u>	<u>\$ 46,306</u>	<u>\$ 1,449,979</u>

- A. As of December 31, 2022 and 2021, the Group's property, plant and equipment were all for own use.
- B. Amount of borrowing costs capitalized as part of prepayments for equipment and the range of the interest rates for such capitalization are as follows:

	For the years ended December 31,	
	2022	2021
Amount capitalized	\$ 1,028	\$ -
Interest rate	1.00%	—

- C. To satisfy the requirement of the Company's operating development in the future, in June 2021, the Company was approved by the Industrial Development Bureau to apply for the purchase of the land on No. 862-7 in Tainan Technology Industrial Park. The area was 27,846.45 square meters, at a price of \$20,600 (in dollars) per square meter, and the total price of the land was \$573,637. The payment and transfer had been completed. Additionally, in accordance with regulations, relative to the construction of the plant, the Group had to pay guarantee to Industrial Development Bureau in the amount of \$57,392 (listed as 'Guarantee deposits paid'), which will be returned without interest after the construction is completed.
- D. Information about the Group's property, plant and equipment pledged to others as collateral is provided in Note 8, 'Pledged Assets'.

(7) Leasing arrangements – lessee

- A. Starting from 2002 to 2008, the Group entered into a use right contract for land located in Jiangmen City, Guangdong Province, China in the amount of \$29,775 (RMB 6,766 thousand), with a lease term of 47.2 to 50 years. All rentals had been paid on the contract signing date. Of the total amount, RMB 2,848 thousand pertains to long-term prepaid rent. As of December 31, 2022, the Group had not received the certificate of use right of national land. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.
- B. The Group leases assets including buildings. Rental contracts are typically made for period from February 1, 2021 to January 31, 2026. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose special covenants.

C. The carrying amount of right-of-use assets and the depreciation are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 20,499	\$ 20,511
Buildings	2,088	2,784
	<u>\$ 22,587</u>	<u>\$ 23,295</u>

	<u>For the years ended December 31,</u>	<u>For the years ended December 31,</u>
	<u>2022</u>	<u>2021</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 349	\$ 342
Buildings	696	696
	<u>\$ 1,045</u>	<u>\$ 1,038</u>

D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$— and \$3,480, respectively.

E. Information on profit or loss in relation to lease contracts is as follows:

	<u>For the years ended December 31,</u>	<u>For the years ended December 31,</u>
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 32	\$ 40
Expense on short-term lease contracts	3,517	4,291
Expense on leases of low-value assets	347	324
	<u>\$ 3,896</u>	<u>\$ 4,655</u>

F. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$4,584 and \$5,335, respectively.

(8) Intangible assets

For the year ended December 31, 2022			
	Goodwill	Others	Total
<u>At January 1</u>			
Cost	\$ 64,685	\$ 32,433	\$ 97,118
Accumulated amortization	-	(27,659)	(27,659)
	<u>\$ 64,685</u>	<u>\$ 4,774</u>	<u>\$ 69,459</u>
At January 1	\$ 64,685	\$ 4,774	\$ 69,459
Additionss — acquired separately	-	185	185
Amortization	-	(3,359)	(3,359)
Net exchange differences	7,081	-	7,081
At December 31	<u>\$ 71,766</u>	<u>\$ 1,600</u>	<u>\$ 73,366</u>
<u>At December 31</u>			
Cost	\$ 71,766	\$ 32,618	\$ 104,384
Accumulated amortization	-	(31,018)	(31,018)
	<u>\$ 71,766</u>	<u>\$ 1,600</u>	<u>\$ 73,366</u>
For the year ended December 31, 2021			
	Goodwill	Others	Total
<u>At January 1</u>			
Cost	\$ 66,555	\$ 32,127	\$ 98,682
Accumulated amortization	-	(23,717)	(23,717)
	<u>\$ 66,555</u>	<u>\$ 8,410</u>	<u>\$ 74,965</u>
At January 1	\$ 66,555	\$ 8,410	\$ 74,965
Additionss — acquired separately	-	306	306
Amortization	-	(3,942)	(3,942)
Net exchange differences	(1,870)	-	(1,870)
At December 31	<u>\$ 64,685</u>	<u>\$ 4,774</u>	<u>\$ 69,459</u>
<u>At December 31</u>			
Cost	\$ 64,685	\$ 32,433	\$ 97,118
Accumulated amortization	-	(27,659)	(27,659)
	<u>\$ 64,685</u>	<u>\$ 4,774</u>	<u>\$ 69,459</u>

A. No interest was capitalized for the years ended December 31, 2022 and 2021.

B. Details of amortization expense on intangible assets are as follows:

	For the years ended December 31,	
	2022	2021
Selling expenses	\$ 3,359	\$ 3,942

C. The Group's goodwill was generated as a result of the acquisition of equity interest in Qualipoly Technology (Guang Dong) Corp. in 2006. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amounts, so goodwill was not impaired. Goodwill is allocated as follows to the cash-generating units identified according to operating segment:

	December 31, 2022	December 31, 2021
Qualipoly Technology (Guang Dong) Corp.	\$ 71,766	\$ 64,685

D. The detail about valuation of impairment of intangible assets – goodwill, refer to Note 6(9).

E. As of December 31, 2022 and 2021, the Group had no intangible assets pledged to others as collateral.

(9) Impairment of non-financial assets

A. For the years ended December 31, 2022 and 2021, no impairment loss was recognized by the Group.

B. The Group tests annually for impairment the recoverable amount of goodwill. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets in the future of cash generating units. The cash flows of financial budget were prepared based on the estimates of the growth of annual revenue, gross profit and capital expenditures. Management determined budgeted gross margin and growth rate based on past performance and their expectations of market development. The discount rate applied reflects the risks specific to the related operating segments and the current market assessments of the time value of money. For the years ended December 31, 2022 and 2021, the related discount rates were 9.44% and 9.05%, respectively.

(10) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Unsecured bank borrowings	\$ 99,063	1.60%~5.52%	None
Secured bank borrowings	13,551	1.35%	Land and buildings
	<u>\$ 112,614</u>		
Type of borrowings	December 31, 2021	Interest rate range	Collateral
Unsecured bank borrowings	<u>\$ 299,114</u>	0.65%~3.85%	None

For more information on interest expenses recognized in profit or loss by the Group for the years

ended December 31, 2022 and 2021, refer to Note 6(23), 'Financial costs'.

(11) Short-term notes and bills payable

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Acceptance payable	\$ 1,036	—	None

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Acceptance payable	\$ 2,556	—	None

A. Acceptance payables were accepted by Mega International Commercial Bank and other financial institutions who guaranteed to pay the cash amount to the bearer without any conditions at specific dates.

B. For more information on interest expenses recognized in profit or loss by the Group for the years ended December 31, 2022 and 2021, refer to Note 6(23), 'Financial costs'.

(12) Other payables

	December 31, 2022	December 31, 2021
Payroll and bonus payable	\$ 92,047	\$ 93,766
Directors' compensation payable	10,625	13,126
Export expenses payable	7,947	14,473
Employees' compensation payable	5,313	6,563
Others	131,755	165,418
	<u>\$ 247,687</u>	<u>\$ 293,346</u>

(13) Long-term borrowings

Type of borrowings	Borrowing period	Interest rate range	Collateral	December 31, 2022
Long-term bank borrowings				
Secured borrowings	2021.9.9~ 2041.11.1	1.61%	Land and buildings	\$ 633,580
Unsecured borrowings	2022.3.23~ 2029.8.15	1.13%~ 1.45%	None	194,058
				<u>827,638</u>
Less: Current portion				(90,000)
				<u>\$ 737,638</u>

Type of borrowings	Borrowing period	Interest rate range	Collateral	December 31, 2021
Long-term bank borrowings				
Secured borrowings	2021.9.9~ 2041.9.8	0.95%	Land and buildings	\$ 570,000
Less: Current portion				(5,000)
				<u>\$ 565,000</u>

For more information on interest expenses recognized in profit or loss by the Group for the years

ended December 31, 2022 and 2021, refer to Note 6(23), 'Financial costs'.

(14) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Act of R.O.C, covering all regular employees' service years prior to the enforcement of the Labor Pension Act of R.O.C on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 7.70% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. The Company's total contributions to the defined pension benefit deposited with Bank of Taiwan had reached the amount which the company can suspend appropriation of contributions, in accordance with "Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds of R.O.C". On July 30, 2020, through the approval of the labor pension reserve supervision committee, starting from August 1, 2020 to July 31, 2023, the Company can suspend its contributions to the labor pension reserve fund. On August 7, 2020, August 4, 2021 and July 21, 2022, the suspension has been approved by the Kaohsiung City Labor Affairs Bureau. The information in relation to the defined benefit pension plan of the Company was as follows:

(a) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	(\$ 617)	(\$ 646)
Fair value of plan assets	<u>808</u>	<u>745</u>
Net defined benefit assets	<u>\$ 191</u>	<u>\$ 99</u>

(b) Movements in net defined benefit assets are as follows:

	For the year ended December 31, 2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
At January 1	(\$ 646)	\$ 745	\$ 99
Interest (expense) income	(5)	6	1
	(651)	751	100
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	57	57
Change in financial assumptions	43	-	43
Experience adjustments	(9)	-	(9)
	34	57	91
At December 31	(\$ 617)	\$ 808	\$ 191
	For the year ended December 31, 2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
At January 1	(\$ 597)	\$ 732	\$ 135
Interest (expense) income	(3)	4	1
	(600)	736	136
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	9	9
Change in demographic assumptions	(25)	-	(25)
Change in financial assumptions	23	-	23
Experience adjustments	(44)	-	(44)
	(46)	9	(37)
At December 31	(\$ 646)	\$ 745	\$ 99

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign

real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(d) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2022	2021
Discount rate	1.50%	0.75%
Future salary increase rate	3.00%	2.75%

Future mortality rate was estimated both based on the 6th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2022 and 2021.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 20)	\$ 21	\$ 20	(\$ 19)
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 23)	\$ 24	\$ 23	(\$ 22)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(e) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2023 amount to \$—.

(f) As of December 31, 2022, the weighted average duration of the retirement plan is 13.1 years.

The analysis of timing of the future pension payment was as follows:

Within next 1 year	\$	-
Next 2~5 years		144
Next over 5 years		67
	\$	<u>181</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The subsidiaries, Qualipoly Technology (Kunshan) Corp., Qualipoly Technology (Guangdong) Corp., Qualipoly Technology (Shanghai) Corp. and Dongguan Chao You New Material Co., Ltd., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentages of employees’ monthly salaries and wages. The contribution percentages for the years ended December 31, 2022 and 2021 were both 13%~19%. Other than the monthly contributions, the subsidiaries have no further obligations.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$12,257 and \$11,613, respectively.

(15) Share capital

A. Movements in the number of the Company’s ordinary shares outstanding are as follows (unit: shares in thousands):

	For the years ended December 31,	
	2022	2021
Beginning number of shares	\$ 100,009	\$ 97,761
Transferred treasury stocks to employees	-	2,248
Ending number of shares	<u>\$ 100,009</u>	<u>\$ 100,009</u>

B. As of December 31, 2022, the Company’s authorized capital was \$1,200,000, and the paid-in capital was \$1,000,092, consisting of 100,009 thousand shares of ordinary stock with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

C. Treasury stock

- (a) Reason for share reacquisition and movements in the number of the Group's treasury shares are as follows (unit: shares in thousands):

For the year ended December 31, 2021				
Reason for reacquisition	Beginning	Addition	Decrease	Ending
To be reissued to employees	2,248	-	(2,248)	-

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired.
- (e) For the year ended December 31, 2020, the Company repurchased treasury stocks in the total amount of \$62,470 (2,263 thousand shares). For the year ended December 31, 2021, the Company continuously transferred treasury stocks to employees for a total amount of \$62,056 (2,248 thousand shares) (after deducting related securities transaction taxes, the net amount was \$61,881).

There was no such situation for the year ended December 31, 2022.

(16) Share-based payment

A. Employee stock options:

- (a) On December 21, 2022, the Company issued compensatory stock option plan of 3,000 units, and the exercise price was \$34 (in dollars) per unit, which was set based on the closing price of the Company's ordinary share on the day of issuance. Employees can subscribe for 1,000 ordinary shares per unit of the options. If there is an increase in the Company's issued ordinary shares after the issuance of stock options, the exercise price is adjusted according to a specific formula, except for the increase caused by the conversion into ordinary shares from various securities with conversion options or stock options issued by the Company or the issuance of new shares due to employees' compensation. The life of the options is 4 years. After 2 years from the date of grant, employees may exercise the options in accordance with terms of employee stock options. For the year ended December 31, 2022, the Company's compensation cost due to employee stock options amounted to \$294.

(b) Details of the share-based payment arrangements are as follows:

Share option	For the year ended December 31, 2022	
	Amounts (units in thousand)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	\$ -
Options granted	3,000	34.00
Options outstanding at December 31	3,000	34.00
Options exercisable at December 31	-	-

(c) The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

	December 21, 2022
Grant date	
Dividend yield	0%
Expected price volatility	25.94%
Risk-free interest rate	1.10%
Expected duration	3 years
Fair value in dollars (per share)	\$ 6.51(in dollars)

There was no such situation for the year ended December 31, 2021.

B. Treasury stock transferred to employees:

(a) For the year ended December 31, 2021, the Company recognized compensation cost due to the transfer of treasury stocks in the amount of \$18,029. The information is as follows:

For the year ended December 31, 2021				
	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Transferred treasury stocks to employees	May 11, 2021	2,248	—	Vested immediately

(b) The share-based payment arrangements were settled by equity and were measured using the Black-Scholes option-pricing model. Relevant information is as follows:

For the year ended December 31, 2021					
Share price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Risk-free interest rate	Value per unit (in dollars)
\$ 35.60	\$ 27.61	27.37%	67 days	0.12%	\$ 8.02

There was no such situation for the year ended December 31, 2022.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par

value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that

the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal

reserve is insufficient.

(18) Retained earnings

A. In accordance with the R.O.C. Company Act, the Company shall set aside 10% of current year's profit after taxes as legal reserve, until the legal reserve equals to the paid-in capital. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. The residual amount will be provisioned as or reversed from special reserve in accordance with regulations. The remainder, if any, to be appropriated shall be proposed by the Board of Directors and resolved by the stockholders at the stockholder's meeting. When distributing earnings, the Company takes into consideration the industrial environment, financial plans, sustainable operations, stable development and shareholders' interest as follows:

(a) Conditions and timing of dividend distribution:

Currently, the Company is in a stable stage, thus, the appropriation of earnings takes into consideration future operating development, strong financial structure, stable dividends and reasonable returns for shareholders. The distribution of dividends shall be proposed by the Board of Directors and approved by the shareholders.

(b) Appropriation ratio of cash dividends and stock dividends:

The Company distributes shareholders' dividends in the form of cash or stock, of which cash dividends shall comprise at least 20% of the total dividends distributed. However, if the cash dividend per share is less than \$0.5 (in dollars), it can be distributed as stock dividends.

The actual appropriation ratio and form of distribution shall be set by the Board of Directors based on the Company's financial situation and capital budget.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit

balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

- D. On May 30, 2022 and July 8, 2021, the shareholders during their meeting resolved the distribution of cash dividends from 2021 and 2020 earnings in the amounts of \$220,020 (\$2.2 (in dollars) per share) and \$195,522 (\$2.0 (in dollars) per share), respectively. On March 9, 2023, the Board of Directors resolved the distribution of cash dividends of \$190,017 (\$1.9 (in dollars) per share) from 2022 earnings.

(19) Operating revenue

- A. The Group derives revenue from contracts with customers which are recognized at a point in time. Revenue is divided into the following major product lines:

For the year ended December 31, 2022				
	Qualipoly Chemical Corp.	Qualipoly Technology (Guangdong) Corp.	Others	Total
Synthetic resin	\$ 3,368,507	\$ 420,478	\$ 325,339	\$ 4,114,324
Others	98,786	1,737	9,833	110,356
	<u>\$ 3,467,293</u>	<u>\$ 422,215</u>	<u>\$ 335,172</u>	<u>\$ 4,224,680</u>

For the year ended December 31, 2021				
	Qualipoly Chemical Corp.	Qualipoly Technology (Guangdong) Corp.	Others	Total
Synthetic resin	\$ 3,646,989	\$ 522,880	\$ 425,237	\$ 4,595,106
Others	112,951	115,118	7,251	235,320
	<u>\$ 3,759,940</u>	<u>\$ 637,998</u>	<u>\$ 432,488</u>	<u>\$ 4,830,426</u>

- B. The Group has recognized the following revenue-related contract liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities - current (listed as 'Other current liabilities')	<u>\$ 3,656</u>	<u>\$ 11,957</u>	<u>\$ 7,151</u>

Revenue recognized that was included in the contract liabilities at the beginning of the year were \$11,489 and \$6,601 for the years ended December 2022 and 2021, respectively.

(20) Interest income

	For the years ended December 31,	
	2022	2021
Bank deposits	<u>\$ 1,461</u>	<u>\$ 1,156</u>

(21) Other income

	For the years ended December 31,	
	2022	2021
Dividend income	\$ 79,472	\$ 22,188
Other income	4,186	4,018
	<u>\$ 83,658</u>	<u>\$ 26,206</u>

(22) Other gains and losses

	For the years ended December 31,	
	2022	2021
(Losses) gains on financial assets at fair value through profit or loss	(\$ 84,620)	\$ 13,729
Net foreign exchange gains (losses)	84,248	(21,062)
Loss on disposal of property, plant and equipment	(23)	(22)
Other losses	(73)	(108)
	<u>(\$ 468)</u>	<u>(\$ 7,463)</u>

(23) Finance costs

	For the years ended December 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 13,072	\$ 5,097
Lease liabilities	32	40
	<u>13,104</u>	<u>5,137</u>
Less: Capitalization of qualifying assets	(1,028)	-
	<u>\$ 12,076</u>	<u>\$ 5,137</u>

(24) Expenses by nature

	For the year ended December 31, 2022		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 182,604	\$ 193,418	\$ 376,022
Depreciation	47,951	11,582	59,533
Amortization	-	3,359	3,359
	<u>\$ 230,555</u>	<u>\$ 208,359</u>	<u>\$ 438,914</u>

	For the year ended December 31, 2021		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 187,846	\$ 213,372	\$ 401,218
Depreciation	48,497	10,889	59,386
Amortization	-	3,942	3,942
	<u>\$ 236,343</u>	<u>\$ 228,203</u>	<u>\$ 464,546</u>

(25) Employee benefit expense

	For the year ended December 31, 2022		
	Operating costs	Operating expenses	Total
Wages and salaries	\$ 155,943	\$ 167,197	\$ 323,140
Employees' compensation	-	294	294
Labour and health insurance fees	13,885	11,206	25,091
Pension costs	6,258	5,998	12,256
Other personnel expenses	6,518	8,723	15,241
	<u>\$ 182,604</u>	<u>\$ 193,418</u>	<u>\$ 376,022</u>

	For the year ended December 31, 2021		
	Operating costs	Operating expenses	Total
Wages and salaries	\$ 156,098	\$ 176,844	\$ 332,942
Employees' compensation	7,635	10,394	18,029
Labour and health insurance fees	12,313	10,885	23,198
Pension costs	5,540	6,072	11,612
Other personnel expenses	6,260	9,177	15,437
	<u>\$ 187,846</u>	<u>\$ 213,372</u>	<u>\$ 401,218</u>

- A. Under the Company's Articles of Incorporation, employees' compensation and directors' remuneration shall be distributed at a ratio of not lower than 1% but not more than 1.5% of current year's earnings, and not more than 3% of current year's earnings, respectively. However, if the Company has an accumulated deficit, the earnings shall be reserved to cover the deficit.
- B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$5,313 and \$6,563, respectively; while directors' remuneration was accrued at \$10,625 and \$13,126, respectively. The aforementioned amounts were recognized in salary expenses. The expense recognized was accrued based on the profit of current year as prescribed by Company's Articles of Incorporation. Employees' compensation and directors' remuneration for 2021 as resolved by the Board of directors were \$6,563 and \$13,126, respectively, which were the same with the amounts recognized in the financial statements for the year ended December 31, 2021. On March 9, 2023, the employees' compensation and directors' remuneration for 2022 as resolved by the Board of Directors were \$5,313 and \$10,625,

respectively, and the employees' compensation will be distributed in the form of cash. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 104,735	\$ 127,090
Tax on undistributed surplus earnings	5,115	2,556
Prior year income tax (over) under estimation	(2,499)	149
	<u>107,351</u>	<u>129,795</u>
Deferred tax:		
Origination and reversal of temporary differences	(21,028)	(14,739)
Income tax expense	<u>\$ 86,323</u>	<u>\$ 115,056</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2022	2021
Remeasurements of defined benefit obligations	\$ 18	(\$ 7)
Currency translation differences	6,866	(2,173)
	<u>\$ 6,884</u>	<u>(\$ 2,180)</u>

(c) Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 83,820	\$ 107,245
Effects from items disallowed by tax regulation	(113)	5,106
Tax on undistributed surplus earnings	5,115	2,556
Prior year income tax (over) under estimation	(2,499)	149
Income tax expense	<u>\$ 86,323</u>	<u>\$ 115,056</u>

(Note) The basis for computing the income tax is the rates applicable in the respective countries where the Group's entities operate.

B. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

For the year ended December 31, 2022				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences:				
Allowance for bad debts	\$ 4,596	\$ -	\$ -	\$ 4,596
Loss on inventories from market decline	7,280	7,540	-	14,820
Pensions	12,827	-	(18)	12,809
Unrealized exchange loss	79	(79)	-	-
Currency translation differences	8,870	-	(6,866)	2,004
Others	7,590	(3,450)	-	4,140
	<u>\$ 41,242</u>	<u>\$ 4,011</u>	<u>(\$ 6,884)</u>	<u>\$ 38,369</u>
Deferred income tax liabilities				
Temporary differences:				
Investment income	(\$ 75,189)	\$ 17,313	\$ -	(\$ 57,876)
Pensions	(12,893)	(1)	-	(12,894)
Book tax difference in the timing of revenue recognition	(1,189)	180	-	(1,009)
Unrealized exchange gain	-	(475)	-	(475)
	<u>(\$ 89,271)</u>	<u>\$ 17,017</u>	<u>\$ -</u>	<u>(\$ 72,254)</u>
	<u>(\$ 48,029)</u>	<u>\$ 21,028</u>	<u>(\$ 6,884)</u>	<u>(\$ 33,885)</u>

For the year ended December 31, 2021				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences:				
Allowance for bad debts	\$ 4,114	\$ 482	\$ -	\$ 4,596
Loss on inventories from market decline	7,782	(502)	-	7,280
Pensions	12,820	-	7	12,827
Unrealized exchange loss	-	79	-	79
Currency translation differences	6,697	-	2,173	8,870
Others	5,643	1,947	-	7,590
	<u>\$ 37,056</u>	<u>\$ 2,006</u>	<u>\$ 2,180</u>	<u>\$ 41,242</u>
Deferred income tax liabilities				
Temporary differences:				
Investment income	(\$ 87,106)	\$ 11,917	\$ -	(\$ 75,189)
Pensions	(12,893)	-	-	(12,893)
Book tax difference in the timing of revenue recognition	(1,255)	66	-	(1,189)
Unrealized exchange gain	(750)	750	-	-
	<u>(\$ 102,004)</u>	<u>\$ 12,733</u>	<u>\$ -</u>	<u>(\$ 89,271)</u>
	<u>(\$ 64,948)</u>	<u>\$ 14,739</u>	<u>\$ 2,180</u>	<u>(\$ 48,029)</u>

C. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. As of March 9, 2023, the Company was not involved in any administration lawsuit.

(27) Earnings per share

For the year ended December 31, 2022			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 315,043	100,009	\$ 3.15
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 315,043	100,009	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	196	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 315,043	100,205	\$ 3.14
For the year ended December 31, 2021			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 367,807	98,500	\$ 3.73
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 367,807	98,500	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	183	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 367,807	98,683	\$ 3.73

For the year ended of December 31, 2022, the Company's employee stock options had an anti-dilutive effect, so they were not included in the calculation of diluted earnings per share.

(28) Supplemental cash flow information

A. Operating activities with partial cash receipts:

	For the years ended December 31,	
	2022	2021
Dividend income	\$ 79,472	\$ 22,188
Less: Ending balance of other receivables	(4,479)	-
Cash dividends received	<u>\$ 74,993</u>	<u>\$ 22,188</u>

B. Operating and investing activities with no cash flow effects:

	For the years ended December 31,	
	2022	2021
(a) Write-offs of allowance for uncollectible accounts	<u>\$ 1,414</u>	<u>\$ 8,790</u>
(b) Prepayments for equipment transferred to property, plant and equipment	<u>\$ 140,588</u>	<u>\$ 600,427</u>

(29) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings (including current portion)	Total
January 1, 2022	\$ 299,114	\$ 2,556	\$ 2,800	\$ 570,000	\$ 874,470
Changes in cash flow from financing activities	(186,504)	(1,520)	(688)	257,638	68,926
Changes in other non-cash items	4	-	-	-	4
December 31, 2022	<u>\$ 112,614</u>	<u>\$ 1,036</u>	<u>\$ 2,112</u>	<u>\$ 827,638</u>	<u>\$ 943,400</u>

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings (including current portion)	Total
January 1, 2021	\$ 88,868	\$ 1,929	\$ -	\$ -	\$ 90,797
Changes in cash flow from financing activities	210,814	627	(680)	570,000	780,761
Changes in other non-cash items	(568)	-	3,480	-	2,912
December 31, 2021	<u>\$ 299,114</u>	<u>\$ 2,556</u>	<u>\$ 2,800</u>	<u>\$ 570,000</u>	<u>\$ 874,470</u>

7. Related Party Transactions

Key management compensation:

	For the years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 36,830	\$ 38,801
Post-employment benefits	467	385
	<u>\$ 37,297</u>	<u>\$ 39,186</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

Pledged asset item	December 31, 2022	December 31, 2021	Purpose
Land (Note)	\$ 750,705	\$ 750,705	Short-term borrowings, long-term borrowings and borrowing facilities
Buildings, net (Note)	46,813	51,241	Short-term borrowings, long-term borrowings and borrowing facilities
Other equipment, net (Note)	4,364	5,135	Facilities of long-term borrowings
	<u>\$ 801,882</u>	<u>\$ 807,081</u>	

(Note) Listed as 'Property, plant and equipment'.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

As of December 31, 2022 and 2021, the Group's other significant contingent liabilities and unrecognized contract commitments were as follows:

- (1) The outstanding letters of credit issued but not negotiated were \$47,932 and \$68,162, respectively.
- (2) Capital expenditures contracted but not yet incurred are as follows:

	December 31, 2022	December 31, 2021
Property, plant and equipment	<u>\$ 684,634</u>	<u>\$ 6,380</u>

- (3) Endorsements/guarantees by the Company to the subsidiaries:

Counterparty	Description	December 31, 2022	December 31, 2021
Qualipoly Technology (Guangdong) Corp.	Guarantee for financing	\$ 46,065	\$ 84,960
Qualipoly Technology (Kunshan) Corp.	Guarantee for financing	46,065	41,520
		<u>\$ 92,130</u>	<u>\$ 126,480</u>

As of December 31, 2022 and 2021, the actual amounts drawn from the endorsements and guarantees were \$16,751 and \$28,443, respectively.

(4) On April 8, 2019, in accordance with the Waste Disposal Act, the inspection unit of Hsinchu City came to the Company to clarify the case and interview certain employees, and Taiwan Hsinchu District Prosecutors Office investigated the Company in accordance with the Waste Disposal Act. On June 17, 2020, Taiwan Hsinchu District Prosecutors Office filed a criminal charge against the Company and two employees. The preliminary proceedings of the case was completed on July 19, 2022, and a brief summary of the ruling of the Taiwan Hsinchu District Court on October 31, 2022 is as follows:

- (a) The two employees were both charged with illegal waste clearance and disposal in accordance with the first half of subparagraph 4 of Article 46 of the Waste Disposal Act.
- (b) The Company was charged with illegal waste clearance and disposal in accordance with the first half of subparagraph 4 of Article 46 of the Waste Disposal Act since its employees violated the foregoing article.
- (c) All of the Company's illegal income will be confiscated. If whole or a part of the income cannot be confiscated or the execution is not appropriate, an equivalent value thereof shall be collected from the Company.

The Company has recognized the corresponding liability for the penalty and related loss totaling \$45,979, which the Company is expected to fully settle within one year from the date of the ruling.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

To expand the sales in Europe and America, the Company's Board of Directors approved to sign the exclusive sales contract with the counterparty of business - IGM Resins B.V. on February 3, 2023, and the contract period will be for the period from February 1, 2023 to December 31, 2027. The countries covered under the exclusive sales contract are Europe (excluding England, France, Spanish and Italy), United States, Canada and Mexico, etc.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

i. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 149,413</u>	<u>\$ 228,441</u>
Financial assets at fair value through other comprehensive income	<u>\$ 56,840</u>	<u>\$ -</u>
Financial assets at amortized cost		
Cash and cash equivalents	\$ 503,198	\$ 293,715
Financial assets at amortized cost	-	45,835
Notes receivable	110,151	181,895
Accounts receivable	622,722	1,066,262
Other receivables	11,740	13,400
Guarantee deposits paid	57,603	65,726
	<u>\$ 1,305,414</u>	<u>\$ 1,666,833</u>

Financial liabilities

Financial liabilities at amortized cost		
Short-term borrowings	\$ 112,614	\$ 299,114
Short-term notes and bills payable	1,036	2,556
Notes payable	106,227	217,452
Accounts payable	163,821	245,396
Other payables	247,687	293,346
Long-term borrowings (including current portion)	827,638	570,000
	<u>\$ 1,459,023</u>	<u>\$ 1,627,864</u>
Lease liabilities	<u>\$ 2,112</u>	<u>\$ 2,800</u>

ii. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. To minimize any adverse effect on the financial performance of the Group, derivative instruments are used to hedge based on situation.
- (b) Risk management is carried out by the Group's treasury department under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

iii. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Group used in various currency, primarily with respect to the USD, AUD and RMB. Foreign exchange rate risk arises from future commercial transactions and recognized assets and liabilities.
- ii. The Group has certain sales and purchases denominated in USD and other foreign currencies. Exchange rates would affect the fair value in the market. When commercial transactions occur in the future, recognized assets or liabilities do not price at the functional foreign currency of the entity, the exchange risk will occur.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group's foreign operations are considered strategic investments; thus, no hedging for the purpose is conducted.
- iv. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD and the subsidiaries' functional currencies: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2022		
(foreign currency: functional currency)	Foreign currency amount		
	(in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 9,913	30.71	\$ 304,428
AUD:NTD	3,120	20.83	64,990
RMB:NTD	5,400	4.408	23,803
JPY:NTD	120,818	0.2324	28,078
GBP:NTD	560	37.09	20,770
EUR:NTD	381	32.72	12,466
<u>Non-monetary items</u>			
RMB:USD	29,712	0.1406	132,239
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	469	30.71	14,403

(foreign currency: functional currency)	December 31, 2021		
	Foreign currency amount		
	(in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 24,379	27.68	\$ 674,811
RMB:NTD	10,588	4.344	45,994
EUR:NTD	1,139	31.32	35,673
AUD:NTD	1,640	20.08	32,931
JPY:NTD	84,295	0.2405	20,273
GBP:NTD	499	37.30	18,613
<u>Non-monetary items</u>			
RMB:USD	50,569	0.1569	203,466
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3,366	27.68	93,171

- v. The sensitivity analysis of foreign exchange risk is mainly focused on the foreign currency items at the end of financial reporting date. If the exchange rate of NTD to all foreign currency had decreased/increased by 1% with all other variables remaining constant, the profit or loss for the years ended December 31, 2022 and 2021 would have increased/decreased by \$3,521 and \$5,881, respectively.
- vi. The total exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to \$84,248 and (\$21,062), respectively.

Price risk

- i. The Group is exposed to the price risk of equity securities because of investments held by the Group and classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income on the consolidated balance sheet. To manage the price risk arising from equity securities, the Group strictly evaluates investment activities and pre-sets a “stop loss”, so the Group does not expect material price risk.
- ii. The sensitivity analysis of price risk of equity securities is calculated from fair value changes at the end of balance sheet date. If the price of these equity securities had increased/decreased by 1% with all other variables remaining constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$1,542 and \$2,184, respectively, as a result of gains/losses on equity securities classified as at fair

value through profit or loss. And other comprehensive income would have increased/decreased by \$568 and \$—, respectively, as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- ii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have decreased/increased by \$105 and \$41, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- iii. In line with the credit risk management policies, if the contract payments were past due within 90 days, the proceeds are within normal collection period. However, the defaults occur past due over 90 days.
- iv. The Group classifies customer's accounts receivable in accordance with credit rating of customer. The Group applies the modified approach using a provision matrix to estimate the expected credit loss. The Group used the forecastability to adjust historical and timely information to assess the default possibility of receivables, whereby the rate ranging from 1.29%~100% are applied to the provision matrix. Movements in relation to the Group applying the modified approach to provide loss allowance for receivables are as follows:

<u>For the year ended December 31, 2022</u>	<u>Individual</u>	<u>Group</u>	<u>Total</u>
At January 1	\$ -	\$ 39,041	\$ 39,041
Expected credit gains	-	(5,469)	(5,469)
Write-offs of uncollectible receivables	-	(1,414)	(1,414)
Effect of foreign exchange	-	72	72
At December 31	<u>\$ -</u>	<u>\$ 32,230</u>	<u>\$ 32,230</u>

<u>For the year ended December 31, 2021</u>	<u>Individual</u>	<u>Group</u>	<u>Total</u>
At January 1	\$ 2,752	\$ 33,125	\$ 35,877
Expected credit losses	-	11,990	11,990
Write-offs of uncollectible receivables	(2,736)	(6,054)	(8,790)
Effect of foreign exchange	(16)	(20)	(36)
At December 31	<u>\$ -</u>	<u>\$ 39,041</u>	<u>\$ 39,041</u>

(c) Liquidity risk

- i. The Group's treasury department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities and ensure the Group has sufficient financial flexibility.
- ii. Surplus cash held by the operating entities exceeded the requirement of working capital management. The Group's treasury department aggregately invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Floating rate:		
Expiring within one year	\$ 1,111,068	\$ 997,244
Expiring beyond one year	1,039,462	400,000
Fixed rate:		
Expiring within one year	63,916	167,813
	<u>\$ 2,214,446</u>	<u>\$ 1,565,057</u>

The facilities expiring within one year are annual facilities subject to review at various dates during the next year. The other facilities are for the Group's operating capital.

- iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

December 31, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities				
Short-term borrowings	\$ 113,194	\$ -	\$ -	\$ -
Short-term notes and bills payable	1,036	-	-	-
Notes payable	106,227	-	-	-
Accounts payable	163,821	-	-	-
Other payables	247,687	-	-	-
Lease liabilities (including current and non-current)	720	720	720	-
Long-term borrowings (including current portion)	100,669	46,835	261,419	508,188
December 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities				
Short-term borrowings	\$ 299,806	\$ -	\$ -	\$ -
Short-term notes and bills payable	2,556	-	-	-
Notes payable	217,452	-	-	-
Accounts payable	245,396	-	-	-
Other payables	293,346	-	-	-
Lease liabilities (including current and non-current)	720	720	1,440	-
Long-term borrowings (including current portion)	10,413	35,237	157,948	417,951

v. The Group does not expect the maturity date to end early nor the actual cash flow to be significantly materially different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investments in listed stocks is included in Level 1.

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

Level 3: Unobservable inputs for the asset or liability. The Group's investments in equity

instruments without active market belongs to Level 3.

- B. The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables and long-term borrowings (including current portion)) are approximate to their fair values.
- C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets as of December 31, 2022 and 2021 are as follows:

(a) The related information on the nature of the assets is as follows:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 17,174</u>	<u>\$ -</u>	<u>\$ 132,239</u>	<u>\$ 149,413</u>
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,840</u>	<u>\$ 56,840</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 24,975</u>	<u>\$ -</u>	<u>\$ 203,466</u>	<u>\$ 228,441</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The instruments the Group used closing price as their fair values (that is, Level 1).
- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk, etc. In

accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary to reasonably represent the fair value of financial and non-financial instruments at consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2, nor transfer into or out from Level 3.

E. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	For the years ended December 31,	
	2022	2021
At January 1	\$ 203,466	\$ 209,347
Acquired during the year	56,840	-
Losses recognized in profit or loss	(90,741)	-
Net exchange differences	19,514	(5,881)
At December 31	<u>\$ 189,079</u>	<u>\$ 203,466</u>

(Note) For the year ended December 31, 2021, there was no valuation for the Level 3 equity securities, because the difference was not material between the fair value and the carrying amount.

F. Treasury segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments:					
Unlisted stocks	\$ 193,872	Net assets value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value

	December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments:					
Unlisted stocks	\$ 193,474	Net assets value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets categorized within Level 3 if the inputs used to valuation models have changed:

		December 31, 2022					
		Recognized in profit or loss		Recognized in other comprehensive income			
		Favourable change	Unfavourable change	Favourable change	Unfavourable change		
	Input	Change					
Financial assets							
Equity instruments	Discount for lack of marketability	±10%	\$ 1,370	(\$ 1,370)	\$ 568	(\$ 568)	
		December 31, 2021					
		Recognized in profit or loss		Recognized in other comprehensive income			
		Favourable change	Unfavourable change	Favourable change	Unfavourable change		
	Input	Change					
Financial assets							
Equity instruments	Discount for lack of marketability	±10%	\$ 1,935	(\$ 1,935)	\$ -	\$ -	

(4) Others

Due to the Covid-19 pandemic and the implementation of the government's various preventive measures, the Group thoroughly complied with "Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019". Each department is operating as usual and the pandemic had no significant impact on the Group's operations.

13. Supplementary Disclosures

According to the current regulatory requirements, the Group is only required to disclose the information for the year ended December 31, 2022

(1) Significant transactions information

A. Loans to others: None.

- B. Provision of endorsements and guarantees to others: Refer to table 1.
- C. Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures): Refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Group's paid-in capital or more: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 7.

(4) Major shareholders information

Refer to table 8.

14. Segment Information

(1) General information

The management of the Group has identified the operating segments based on information provided to the Group's chief operating decision-maker in order to make strategic decisions. The Group's organization basis of identification and measurement of segment information had no significant changes in this period.

(2) Measurement of segment information

The chief operating decision-maker evaluates the performance of the operating segments based on a measure of profit or loss before taxes. The accounting policies of operating segments were consistent with the summary of significant accounting policies as described in the Note 4.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	For the year ended December 31, 2022			
	Qualipoly Chemical Corp.	Qualipoly Technology (Guangdong) Corp.	Others	Total
Segment revenue	\$ 3,753,713	\$ 432,798	\$ 343,021	\$ 4,529,532
Inter-segment revenue	(286,420)	(10,583)	(7,849)	(304,852)
Revenue from external customers	3,467,293	422,215	335,172	4,224,680
Interest income	364	960	137	1,461
Finance costs	11,157	-	919	12,076
Segment profit (loss) before income tax	384,525	16,615	(2,032)	399,108
Segment assets	3,769,211	328,665	453,766	4,551,642
Segment liabilities	1,570,549	25,214	50,094	1,645,857

	For the year ended December 31, 2021			
	Qualipoly Chemical Corp.	Qualipoly Technology (Guangdong) Corp.	Others	Total
Segment revenue	\$ 4,214,065	\$ 645,924	\$ 437,013	\$ 5,297,002
Inter-segment revenue	(454,125)	(7,926)	(4,525)	(466,576)
Revenue from external customers	3,759,940	637,998	432,488	4,830,426
Interest income	94	917	145	1,156
Finance costs	4,683	102	352	5,137
Segment profit before income tax	457,645	42,406	39,363	539,414
Segment assets	3,691,033	334,396	597,477	4,622,906
Segment liabilities	1,754,550	21,087	64,340	1,839,977

(4) Reconciliation information about segment income (loss), assets and liabilities

- A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the consolidated statement of comprehensive income. The total amount of segment revenue and consolidated operating revenue and a reconciliation of reportable segment income or loss before tax were provided as follows:

	For the years ended December 31,	
	2022	2021
Revenue from reportable segments	\$ 4,186,511	\$ 4,859,989
Revenue from other operating segments	343,021	437,013
Inter-segment revenue	(304,852)	(466,576)
Operating revenue	<u>\$ 4,224,680</u>	<u>\$ 4,830,426</u>

	For the years ended December 31,	
	2022	2021
Reportable segment income before tax	\$ 401,140	\$ 500,051
Other segment (loss) income before tax	(2,032)	39,363
Inter-segment income (loss)	2,258	(56,551)
Profit before income tax	<u>\$ 401,366</u>	<u>\$ 482,863</u>

- B. The amounts provided to the chief operating decision maker with respect to total assets and total liabilities are measured in a manner consistent with that of the Group's consolidated financial statements, thus, there was no need for reconciliation.

(5) Information on product and service

Revenue from external customers is mainly from the production and sales of UV curable materials, unsaturated polyester resins (UP resins) and synthetic resin with various usages, etc. Details of revenue for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31,	
	2022	2021
Synthetic resin	\$ 4,114,324	\$ 4,595,106
Others	110,356	235,320
Operating revenue	<u>\$ 4,224,680</u>	<u>\$ 4,830,426</u>

(6) Geographical information

Geographical information of the Group for the years ended December 31, 2022 and 2021 is as follows:

	For the years ended December 31,			
	2022		2021	
	Revenue (Note 1)	Non-current assets (Note 2)	Revenue (Note 1)	Non-current assets (Note 2)
Taiwan	\$ 960,183	\$ 1,763,920	\$ 1,041,991	\$ 1,448,666
Asia	1,759,574	145,372	2,188,791	141,963
Europe	665,680	-	875,164	-
North America	396,252	-	286,334	-
South America	133,029	-	140,797	-
Others	309,962	-	297,349	-
	<u>\$ 4,224,680</u>	<u>\$ 1,909,292</u>	<u>\$ 4,830,426</u>	<u>\$ 1,590,629</u>

(Note 1) The revenue is classified by the country where the customer is located.

(Note 2) Non-current assets exclude financial assets at fair value through profit or loss - non-current, financial assets at fair value through other comprehensive income - non-current, deferred income tax assets and guarantee deposits paid.

(7) Information on major customers

The major customer which accounted for more than 10% of the Group's consolidated operating revenues for the years ended December 31, 2022 and 2021 is as follows:

	For the years ended December 31,			
	2022		2021	
	Revenue	Department	Revenue	Department
Group A	<u>\$ 784,045</u>	Taiwan	<u>\$ 827,440</u>	Taiwan

Qualipoly Chemical Corp. and Subsidiaries

Provision of endorsements and guarantees to others

For the year ended December 31, 2022

Table 1 Expressed in thousands of NTD

Endorsed/Guaranteed				Ratio of accumulated endorsement/										Provision of		
				Endorsement for a single party		Maximum outstanding endorsement/ guarantee	Outstanding endorsement/ guarantee	Actual amount drawn	Amount of endorsements/ guarantees secured with collateral	to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent company to subsidiary	endorsements/ guarantees to the party in		
Number	Endorser/guarantor	Company name	Relationship	(Note1)	amount		amount	down			(Note 1)			China		Footnote
0	Qualipoly Chemical Corp.	Qualipoly Technology (Guang Dong) Corp.	Subsidiaries	\$ 2,905,785	\$ 87,998		\$ 46,065	\$ -	\$ -	1.59%	\$ 2,905,785	Y	N	Y		—
		Qualipoly Technology (Kun Shan) Corp.	Subsidiaries	2,905,785	48,323		46,065	16,751	-	1.59%	2,905,785	Y	N	Y		—

(Note 1) 1. Limit of total endorsement/guarantee of the Company to others, the limit of total endorsement/guarantee to single party is 10% of the Company's net worth, except for subsidiaries who owned over 90% ownership held by the Company, the limit is 100% of the Company's net worth.

2. The endorsement/guarantee arises from business relationship, except for the limit mentioned above, the individual limit on endorsement/guarantee shall not exceed the transaction amount. The transaction amount is the higher value of purchasing or selling during the year.

(Note 2) Foreign currencies are translated into New Taiwan Dollars with exchange rates as of Decemder 31, 2022 as follows: USD:NTD 1:30.71; RMB:NTD 1:4.408).

Qualipoly Chemical Corp. and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2022

Table 2

Expressed in thousands of NTD

		<u>Relationship with</u>		<u>As of December 31, 2022</u>		<u>Footnote</u>	
<u>Securities held by</u>	<u>Marketable securities</u>	<u>the securities</u>	<u>General ledger account</u>	<u>No. of shares</u>			
		<u>issuer</u>		<u>(in thousands of units or shares)</u>	<u>Book value</u>	<u>Ownership</u>	<u>Fair value</u>
Qualipoly Chemical Corp.	Stocks:						
	Geneferm Biotechnology Co., Ltd.	—	Financial assets at fair value through profit or loss - current	151	\$ 10,074	0.363%	\$ 10,074
	Nan Ya Plastics Corp.	—	Financial assets at fair value through profit or loss - current	100	7,100	0.001%	7,100
	ELECTRONINKS INCORPORATED	—	Financial assets at fair value through other comprehensive income - non-current	1,044	56,840	2.83%	56,840
Qualipoly	Stocks:						
International Inc.	Tianjin Yabang Chemical Co., Ltd.	—	Financial assets at fair value through profit or loss - non-current	-	15,587	19.00%	15,587
Chao Chien	Stocks:						
International Inc.	Zhangzhou Yabang Chemical Co., Ltd.	—	Financial assets at fair value through profit or loss - non-current	-	72,374	19.00%	70,413
	Zhangzhou Newsolar Technology Co., Ltd	—	Financial assets at fair value through profit or loss - non-current	-	44,278	9.09%	51,032

Qualipoly Chemical Corp. and Subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD

<u>Differences in transaction terms</u>											
<u>compared to third party</u>											
			<u>Transaction</u>		<u>transactions</u>			<u>Notes/accounts receivable (payable)</u>			
								<u>Percentage of total</u>			
<u>Relationship with the</u>								<u>notes/accounts</u>			
<u>Purchaser/seller</u>	<u>Counterparty</u>	<u>counterparty</u>	<u>Purchases (sales)</u>	<u>Amount</u>	<u>purchases (sales)</u>	<u>Credit term</u>	<u>Unit Price</u>	<u>Credit term</u>	<u>Balance</u>	<u>receivable (payable)</u>	<u>Footnote</u>
Qualipoly Chemical Corp.	Qualipoly Technology (Kun Shan) Corp.	Subsidiaries	Sale	(\$ 214,306)	(6%)	Collect in 90 days after monthly billings	\$ -	-	\$ 22,346	4%	—

Qualipoly Chemical Corp. and Subsidiaries
Significant inter-company transactions during the reporting period
For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD

<u>Number</u>						<u>Transaction</u>	<u>Percentage of consolidated</u>
<u>(Note 2)</u>	<u>Company name</u>	<u>Counterparty</u>	<u>Relationship (Note 3)</u>	<u>Items</u>	<u>Amount</u>	<u>Transaction terms</u>	<u>total operating revenues or</u>
0	Qualipoly Chemical Corp.	Qualipoly Technology (Kun Shan) Corp.	1	Sales	\$ 214,306	Collect in 90 days after monthly billings	5%
				Accounts receivable	22,346	—	—
		Qualipoly Technology (Guang Dong) Corp.	1	Sales	49,101	Collect in 90 days after monthly billings	1%
		Dongguan Chao You New Material Co., Ltd.	1	Sales	21,918	Collect in 120 days after monthly billings	1%

(Note 1) As the amounts and counterparties of significant inter-company transactions are the same from the opposite transaction sides, no disclosure is required. Only transactions amounting to more than \$10,000 are disclosed.

(Note 2) The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is “0”.
- (2) The subsidiaries are numbered in order starting from “1”.

(Note 3) Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

(Note 4) Regarding percentage of transaction amount to total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on for the period to consolidated total operating revenue for income statement accounts.

(Note 5) Foreign currencies are translated into New Taiwan Dollars with exchange rates as of December 31, 2022 as follows: USD:NTD 1:30.71; RMB:NTD 1:4.408).

Qualipoly Chemical Corp. and Subsidiaries

Information on investees

For the year ended December 31, 2022

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of December 31, 2022			Net profit	Investment income (loss) recognized	Footnote
				Balance at	Balance at	Number of shares	Ownership (%)	Book value	(loss) of the investee		
				December 31, 2022	December 31, 2021				for the year ended	for the year ended	
									December 31, 2022	December 31, 2022	
Qualipoly Chemical Corp.	Qualipoly International Samoa Inc.		General investment and international trading business	\$ 268,098	\$ 268,098	8,730,000	100.00	\$ 401,835	\$ 6,830	\$ 6,647	Subsidiaries
Qualipoly Chemical Corp.	Chao Chien International Inc.	Samoa	General investment and international trading business	66,610	66,610	2,169,000	100.00	255,662	(8,390)	(8,904)	Subsidiaries
Qualipoly International Inc.	Chaoyang International Inc.	Samoa	General investment and international trading business	301,134	301,134	9,805,738	100.00	391,645	12,929	-	Subsidiaries (Note 1)

(Note 1) According to the related regulations, it is not required to disclose income (loss) recognized during the year.

(Note 2) Foreign currencies are translated into New Taiwan Dollars at with exchange rates as of December 31, 2022 as follows: USD:NTD 1:30.71.

Qualipoly Chemical Corp. and Subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2022

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of	China/Amount remitted back to Taiwan for				Ownership held by the Company (direct or indirect)	Investment income (loss)	Accumulated amount of		Footnote
				remittance from Taiwan	the year ended December 31, 2022		Accumulated amount of remittance	Net income of investee for		recognized by the	Book value of investments in	investment income remitted	
				to Mainland China at January 1, 2022	Remitted to Mainland China	Remitted back to Taiwan	from Taiwan to Mainland China at December 31, 2022	the year ended December 31, 2022		Company for the year ended December 31, 2022	Mainland China at December 31, 2022	back to Taiwan as of December 31, 2022	
Qualipoly Technology (Kun Shan) Corp.	Sales of chemical raw materials, UV curable materials, unsaturated polyester resins (UP resins) and coating resin	\$ 76,775	(Note 1)	\$ 76,775	\$ -	\$ -	76,775	\$ 6,441	100.00	\$ 6,441	\$ 134,540	\$ -	(Note 4)
Qualipoly Technology (Guang Dong) Corp.	Manufacture and sales of unsaturated polyester resin, alkyd resin and aminoalkyd resin	199,615	(Note 2)	289,326	-	-	289,326	12,547	100.00	12,547	391,636	51,789	(Note 4)
Qualipoly Technology (Shang Hai) Corp.	Sales of chemical raw materials, UV curable materials, unsaturated polyester resins (UP resins) and coating resin	13,242	(Note 1)	-	-	-	-	(1,096)	100.00	(1,096)	9,855	-	(Note 4)
Dongguan Chao You New Material Co., Ltd	Sales of chemical raw materials, UV curable materials, unsaturated polyester resins (UP resins) and coating resin	15,449	(Note 2)	-	-	-	-	1,459	100.00	1,459	25,423	-	(Note 4)
Tianjin Yabang Chemical Co., Ltd.	Manufacture and sales of unsaturated polyester resin, alkyd resin and aminoalkyd resin	88,280	(Note 3)	14,096	-	-	14,096	-	19.00	-	15,587	-	-

				<u>Amount remitted from Taiwan to Mainland</u>			<u>Investment income</u>						
				<u>Accumulated amount of</u>	<u>China/Amount remitted back to Taiwan for</u>		<u>Accumulated amount of</u>	<u>(loss) recognized by the</u>			<u>Book value of</u>	<u>Accumulated amount of</u>	
				<u>remittance from Taiwan to</u>	<u>the year ended December 31, 2022</u>		<u>remittance from Taiwan to</u>	<u>Net income of investee</u>	<u>Ownership held by</u>	<u>Company for the year</u>	<u>investments in Mainland</u>	<u>investment income remitted</u>	
				<u>Mainland China at January</u>	<u>Remitted to Mainland</u>	<u>Remitted back to</u>	<u>Mainland China at</u>	<u>for the year ended</u>	<u>the Company</u>	<u>ended December 31,</u>	<u>China at December 31,</u>	<u>back to Taiwan as of</u>	
<u>Investee in Mainland China</u>	<u>Main business activities</u>	<u>Paid-in capital</u>	<u>Investment method</u>	<u>1, 2022</u>	<u>China</u>	<u>Taiwan</u>	<u>December 31, 2022</u>	<u>December 31, 2022</u>	<u>(direct or indirect)</u>	<u>2022</u>	<u>2022</u>	<u>December 31, 2022</u>	<u>Footnote</u>
Zhangzhou Yabang Chemical Co., Ltd.	Manufacture and sales of unsaturated polyester resin, alkyd resin and aminoalkyd resin	\$ 171,963	(Note 1)	\$ 20,422	\$ -	\$ -	20,422	\$ -	19.00	\$ -	\$ 72,374	\$ 155,338	-
Zhangzhou Newsolar Technology Co., Ltd	Manufacture and sales of unsaturated polyester resin, alkyd resin and aminoalkyd resin	485,541	(Note 1)	44,278	-	-	44,278	-	9.09	-	44,278	-	-

<u>Investment amount</u>			
<u>approved by the</u>		<u>Ceiling on investments in</u>	
<u>Accumulated amount of</u>	<u>Investment Commission</u>	<u>Mainland China imposed</u>	
<u>remittance from Taiwan to</u>	<u>of the Ministry of</u>	<u>by the Investment</u>	
<u>Mainland China at December 31,</u>	<u>Economic Affairs</u>	<u>Commission of MOEA</u>	
<u>Company name</u>	<u>2022</u>	<u>(MOEA)</u>	<u>(Note 5)</u>
Qualipoly Chemical Corp.	\$ 444,897	\$ 460,203	\$ 1,743,471

(Note 1) Through an existing company (Chao Chien International Inc.) located in the third area, invest in the investee in Mainland China.

(Note 2) Formerly held by the Qualipoly International Inc., which was established in the third area, however, because of the adjustment of investment structure from September 2006, the Company reinvested in the investee in Mainland China by investing and establishing Chaoyang International Inc. in the third area through Qualipoly International Inc.

(Note 3) Through investing in an existing company (Qualipoly International Inc.) located in the third area, invest in the investee in Mainland China.

(Note 4) The Company recognized income (loss) based on the audited financial statements.

(Note 5) The ceiling amount was 60% of the parent Company only net worth or consolidated net worth (whichever is higher).

(Note 6) Foreign currencies are translated into New Taiwan Dollars at with exchange rates as of December 31, 2022 as follows: USD:NTD 1:30.71.

Qualipoly Chemical Corp. and Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2022

Table 7

Expressed in thousands of NTD

<u>Investee in Mainland China</u>	<u>Provision of endorsements/guarantees</u>												
	<u>Sales (purchases)</u>		<u>Property transactions</u>		<u>Accounts receivable (payable)</u>		<u>or collaterals</u>		<u>Financing</u>			<u>Others</u>	
					<u>Balance at</u>		<u>Balance at</u>		<u>Maximum balance for</u>			<u>Interest for</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>December 31,</u>	<u>%</u>	<u>December 31,</u>	<u>Purpose</u>	<u>the year ended</u>	<u>December 31,</u>	<u>Interest rate</u>	<u>the year ended</u>	<u>December 31,</u>
					<u>2022</u>		<u>2022</u>		<u>December 31, 2022</u>	<u>2022</u>		<u>2022</u>	
Qualipoly Technology (Kunshan) Corp.	\$ 214,306	6%	\$ -	-	\$ 22,346	4%	\$ 46,065	-	\$ -	\$ -	-	\$ -	\$ -
Qualipoly Technology (Guangdong) Corp.	49,101	1%	-	-	8,737	2%	46,065	-	-	-	-	-	-
Dongguan Chao You New Material Co., Ltd	21,918	1%	-	-	8,845	2%	-	-	-	-	-	-	-
Qualipoly Technology (Shanghai) Corp.	1,095	—	-	-	1,098	—	-	-	-	-	-	-	-

Qualipoly Chemical Corp. and Subsidiaries

Information on major shareholders

December 31, 2022

Table 8

Unit: shares

	<u>Name of major shareholders</u>	<u>Shares</u>		<u>Footnote</u>
		<u>Number of shares held</u>	<u>Ownership (%)</u>	
Chao Chien Investment Inc.		9,759,757	9.75%	—

(Note) The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Qualipoly Chemical Corp.

Opinion

We have audited the accompanying parent company only balance sheets of Qualipoly Chemical Corp. (the "Company") as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

Assessment of the adequacy of allowance for doubtful notes and accounts receivable from non-related parties

Description

Refer to Note 4(10) for accounting policies on impairment of financial asset, Note 5(2) for uncertainty of accounting estimates and assumptions on notes and accounts receivable valuation and Note 6(3) for details of notes and accounts receivable, net. As of December 31, 2022, the carrying amounts of notes and accounts receivable and allowance for uncollectible accounts (excluding related parties) were NT\$595,877 thousand and NT\$28,324 thousand, respectively.

The Company's provision policies on allowance for uncollectible accounts takes into account the customers' characteristics, historical experience of collection, the economic situation in the country where the customer is located and customers' financial status in order to comprehensively assess the collectability of receivable accounts from non-related parties, and apply the modified approach using a provision matrix to estimate loss rate for different ranges in the aging of receivables which will be used in determining the amount of the loss provision.

As the determination of the allowance for uncollectible accounts involves management's subjective judgments and a high degree of estimation uncertainty, and considering that the carrying amounts of notes and accounts receivable and allowance for uncollectible accounts are material to the parent company only financial statements, we considered the assessment of the adequacy of allowance for doubtful notes and accounts receivable from non-related parties a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Assessed the reasonableness of the policy and procedures to recognize allowance for uncollectible accounts.
2. Verified the correctness of the aging classification of notes and accounts receivable to ensure ascertain whether the information reflected in the aging report is consistent with the Company's policies.
3. Selected samples and reviewed the reasonableness of the loss rate for each ageing range, which was used as basis of management in determining the provision for uncollectible accounts.
4. Tested the report used in the valuation of notes and accounts receivable and assessed the adequacy of allowance for notes and accounts receivable.

Valuation of inventories

Description

Refer to Note 4(9) for accounting policies on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation and Note 6(4) for details of inventories and allowance for valuation loss. As of December 31, 2022, the carrying amount of inventories and allowance for inventory valuation losses were NT\$922,219 thousand and NT\$74,101 thousand, respectively.

The Company is primarily engaged in the manufacture and sales of UV curable materials, unsaturated polyester resins (UP resins) and synthetic resin with various usages, etc. The valuation of these inventories is subject to market demand in different channels, changes in technology and other factors. Thus, there is a risk of inventory valuation losses or obsolescence. The Company's inventories are measured at the lower of cost and net realizable value. For inventories that are over a certain age and individually identified as obsolete, the net realizable value is evaluated based on the inventory clearance and historical data of discounts.

As the provision of allowance for inventory valuation losses involve management's subjective judgements and a high degree of estimation uncertainty and considering that the carrying amounts of inventories and allowance for valuation losses are material to the parent company only financial statements, we considered the valuation of allowance for inventories a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

5. Assessed the reasonableness of the policy and procedures to recognize allowance for inventory valuation losses.
6. Obtained an understanding of the warehouse management processes, reviewed the annual physical inventory count plan and participated in the annual inventory count in order to evaluate the effectiveness of the procedures used to identify and control obsolete inventories.

7. Verified the correctness of inventory aging report to ascertain whether the information reflected in the aging report is consistent with the Company's policies.
8. Tested the report used in the inventory valuation and assessed the adequacy of allowance for inventory valuation losses.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

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

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

7. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
8. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
10. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the

date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

11. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only financial statements of the current year 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.

Tien, Chung-Yu

Independent Accountants

Yeh, Fang-Ting

PricewaterhouseCoopers, Taiwan

Republic of China

March 9, 2023

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

QUALIPOLY CHEMICAL CORP.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 372,719	8	\$ 216,589	5
1110	Financial assets at fair value through profit or loss - current	6(2)	17,174	-	24,975	-
1136	Financial assets at amortized cost - current	6(1)	-	-	45,835	1
1150	Notes receivable, net	5(2) and 6(3)	65,619	2	86,320	2
1170	Accounts receivable, net	5(2) and 6(3)	501,934	11	901,929	20
1180	Accounts receivable - related parties	6(3) and 7	41,026	1	161,069	4
1200	Other receivables		6,713	-	13,209	-
130X	Inventories	5(2) and 6(4)	848,118	19	806,556	18
1410	Prepayments		45,884	1	59,962	1
1479	Other current assets		3,441	-	3,252	-
11XX	Total current assets		1,902,628	42	2,319,696	51
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(5)	56,840	1	-	-
1550	Investments accounted for under equity method	6(6)	657,497	15	663,523	15
1600	Property, plant and equipment	6(7) and 8	1,485,519	33	1,398,383	31
1755	Right-of-use assets	6(8)	2,088	-	2,784	-
1780	Intangible assets	6(9)	1,600	-	4,774	-
1840	Deferred income tax assets	6(26)	37,916	1	40,092	1
1915	Prepayments for equipment	6(7)	272,903	6	40,774	1
1920	Guarantee deposits paid	6(7)	57,532	2	65,502	1
1975	Net defined benefit assets - non-current	6(14)	191	-	99	-
1990	Other non-current assets		1,620	-	1,852	-
15XX	Total non-current assets		2,573,706	58	2,217,783	49
1XXX	Total assets		\$ 4,476,334	100	\$ 4,537,479	100

(Continued)

QUALIPOLY CHEMICAL CORP.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(10) and 8	\$ 95,840	2	\$ 270,679	6
2110	Short-term notes and bills payable	6(11)	1,036	-	2,556	-
2150	Notes payable		106,227	3	217,452	5
2170	Accounts payable		145,688	3	223,580	5
2200	Other payables	6(12)	234,774	5	284,339	6
2230	Current income tax liabilities	6(26)	95,135	2	94,243	2
2280	Lease liabilities - current	6(8)	696	-	688	-
2320	Long-term liabilities, current portion	6(13) and 8	90,000	2	5,000	-
2399	Other current liabilities	6(19)	4,539	-	12,874	1
21XX	Total current liabilities		773,935	17	1,111,411	25
Non-current liabilities						
2540	Long-term borrowings	6(13) and 8	737,638	17	565,000	12
2570	Deferred income tax liabilities	6(26)	57,560	1	76,027	2
2580	Lease liabilities - non-current	6(8)	1,416	-	2,112	-
25XX	Total non-current liabilities		796,614	18	643,139	14
2XXX	Total liabilities		1,570,549	35	1,754,550	39
Equity						
Share capital						
3110	Common stock	6(15)	1,000,092	22	1,000,092	22
3200	Capital surplus	6(16)(17)	410,471	9	410,177	8
	Retained earnings	6(18)				
3310	Legal reserve		381,218	9	344,440	8
3320	Special reserve		35,942	1	27,252	1
3350	Unappropriated retained earnings		1,086,538	24	1,036,910	23
3400	Other equity interest	6(6)	(8,476)	-	(35,942)	(1)
3XXX	Total equity		2,905,785	65	2,782,929	61
Significant Contingent Liabilities and						
Unrecognized Contract Commitments						
Significant event after the balance sheet						
date						
3X2X	Total liabilities and equity		\$ 4,476,334	100	\$ 4,537,479	100

The accompanying notes are an integral part of these parent company only financial statements.

QUALIPOLY CHEMICAL CORP.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

			For the years ended December 31,			
			2022		2021	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(19) and 7	\$ 3,753,713	100	\$ 4,214,065	100
5000	Operating costs	6(4)(8)(14)(16)(24)(25) and 7	(3,096,450)	(83)	(3,340,825)	(79)
5900	Operating margin		657,263	17	873,240	21
5910	Unrealized profit from sales	6(6)	(9,052)	-	(23,005)	-
5920	Realized profit on from sales	6(6)	23,005	1	15,658	-
5950	Net operating margin		671,216	18	865,893	21
	Operating expenses	6(8)(9)(14)(16)(24)(25), 7 and 12				
6100	Selling expenses		(226,341)	(6)	(293,923)	(7)
6200	General and administrative expenses		(95,595)	(3)	(99,500)	(3)
6300	Research and development expenses		(53,373)	(1)	(55,122)	(1)
6450	Expected credit gains (losses)		6,000	-	10,818	-
6000	Total operating expenses		(369,309)	(10)	(459,363)	(11)
6900	Operating profit		301,907	8	406,530	10
	Non-operating income and expenses					
7100	Interest income	6(20)	364	-	94	-
7010	Other income	6(21)	5,056	-	6,419	-
7020	Other gains and losses	6(2)(22)	90,612	2	(7,265)	-
7050	Finance costs	6(7)(8)(23)	(11,157)	-	(4,683)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(6)	(2,257)	-	56,550	1
7000	Total non-operating income and expenses		82,618	2	51,115	1
7900	Profit before income tax		384,525	10	457,645	11
7950	Income tax expense	6(26)	(69,482)	(2)	(89,838)	(2)
8200	Profit for the year		\$ 315,043	8	\$ 367,807	9
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial gains (losses) on defined benefit plans	6(14)	\$ 91	-	(\$ 37)	-
8349	Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	6(26)	(18)	-	7	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(6)	34,332	1	(10,863)	-
8399	Income tax related to the components of other comprehensive (loss) income that will be reclassified to profit or loss	6(26)	(6,866)	-	2,173	-
8300	Other comprehensive income (loss) for the year		\$ 27,539	1	(\$ 8,720)	-
8500	Total comprehensive income for the year		\$ 342,582	9	\$ 359,087	9
	Earnings per share (in dollars)	6(27)				
9750	Basic		\$ 3.15		\$ 3.73	
9850	Diluted		\$ 3.14		\$ 3.73	

The accompanying notes are an integral part of these parent company only financial statements.

QUALIPOLY CHEMICAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Capital Surplus			Retained Earnings			Other Equity Interest			
	Notes	Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Employee stock options	Legal reserve	Special reserve	Unappropriate d retained earnings	Financial statements translation differences of foreign operations	Treasury stocks	Total
For the year ended December 31, 2021											
Balance at January 1, 2021		\$ 1,000,092	\$ 386,806	\$ 5,517	\$ -	\$ 316,296	\$ 20,595	\$ 899,456	(\$ 27,252)	(\$ 62,056)	\$ 2,539,454
Profit for the year		-	-	-	-	-	-	367,807	-	-	367,807
Other comprehensive loss for the year		-	-	-	-	-	-	(30)	(8,690)	-	(8,720)
Total comprehensive income (loss)		-	-	-	-	-	-	367,777	(8,690)	-	359,087
Distribution of 2020 earnings :											
Legal reserve		-	-	-	-	28,144	-	(28,144)	-	-	-
Special reserve		-	-	-	-	-	6,657	(6,657)	-	-	-
Cash dividends	6(18)	-	-	-	-	-	-	(195,522)	-	-	(195,522)
Compensation cost recognized in transfer of treasury stocks	6(16)(25)	-	-	-	18,029	-	-	-	-	-	18,029
Transfer of treasury stocks	6(15)(16)	-	-	17,854	(18,029)	-	-	-	-	62,056	61,881
Balance at December 31, 2021		\$ 1,000,092	\$ 386,806	\$ 23,371	\$ -	\$ 344,440	\$ 27,252	\$ 1,036,910	(\$ 35,942)	\$ -	\$ 2,782,929
For the year ended December 31, 2022											
Balance at January 1, 2022		\$ 1,000,092	\$ 386,806	\$ 23,371	\$ -	\$ 344,440	\$ 27,252	\$ 1,036,910	(\$ 35,942)	\$ -	\$ 2,782,929
Profit for the year		-	-	-	-	-	-	315,043	-	-	315,043
Other comprehensive income for the year		-	-	-	-	-	-	73	27,466	-	27,539
Total comprehensive income		-	-	-	-	-	-	315,116	27,466	-	342,582
Distribution of 2021 earnings :											
Legal reserve		-	-	-	-	36,778	-	(36,778)	-	-	-
Special reserve		-	-	-	-	-	8,690	(8,690)	-	-	-
Cash dividends	6(18)	-	-	-	-	-	-	(220,020)	-	-	(220,020)
Compensation cost recognized in employee stock options	6(16)(25)	-	-	-	294	-	-	-	-	-	294
Balance at December 31, 2022		\$ 1,000,092	\$ 386,806	\$ 23,371	\$ 294	\$ 381,218	\$ 35,942	\$ 1,086,538	(\$ 8,476)	\$ -	\$ 2,905,785

The accompanying notes are an integral part of these parent company only financial statements.

QUALIPOLY CHEMICAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 384,525	\$ 457,645
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on financial assets and at fair value through profit and loss	6(2)(22)	(6,121)	(13,729)
Expected credit (gain) loss	12	(6,000)	10,818
Provision (reversal of allowance) for inventory market price decline	6(4)	37,702	(2,509)
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(6)	2,257	(56,550)
Depreciation	6(7)(8)(24)	53,865	53,430
Loss on disposal of property, plant and equipment	6(22)	23	22
Amortization	6(9)(24)	3,359	3,942
Unrealized profit from sales	6(6)	9,052	23,005
Realized loss from sales	6(6)	(23,005)	(15,658)
Interest income	6(20)	(364)	(94)
Dividend income	6(21)	(1,121)	(2,590)
Exchange loss (gain)	6(29)	4	(568)
Finance costs	6(23)	11,157	4,683
Compensation cost recognized in transfer of treasury stocks	6(16)(25)	-	18,029
Compensation cost recognized in employee stock options	6(16)(25)	294	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		13,922	95,284
Notes receivable		20,701	(14,453)
Accounts receivable		405,995	(287,753)
Accounts receivable - related parties		120,043	6,422
Other receivables		6,496	(5,129)
Inventories	(	79,264)	(297,930)
Prepayments		14,078	(20,778)
Other current assets	(	189)	112
Net defined benefit asset - non-current	(	1)	(1)
Changes in operating liabilities			
Notes payable	(	111,225)	17,947
Accounts payable	(	77,892)	163,830
Other payables	(	49,730)	107,242
Other current liabilities	(	8,335)	5,510
Cash inflow generated from operations		720,226	250,179
Interest received		364	94
Dividends received		53,175	114,896
Interest paid	(	10,992)	(4,340)
Income tax paid	(	91,765)	(70,563)
Net cash flows from operating activities		671,008	290,266

(Continued)

QUALIPOLY CHEMICAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets at amortized cost - current		\$ 45,835	(\$ 45,835)
Increase in financial assets at fair value through other comprehensive income - non-current	6(5) and 12(3)	(56,840)	-
Proceeds from disposal of property, plant and equipment		125	-
Acquisition of intangible assets	6(9)	(185)	(306)
Increase in prepayments for equipment		(371,554)	(637,931)
Interest paid for prepayments for equipment	6(7)(23)	(1,028)	-
Decrease (increase) in guarantee deposits paid		7,970	(65,482)
Decrease in other non-current assets		232	208
Net cash flows used in investing activities		(375,445)	(749,346)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	6(29)	(174,843)	182,379
(Decrease) increase in short-term notes and bills payable	6(29)	(1,520)	627
Payments of lease liabilities	6(29)	(688)	(680)
Increase in long-term borrowings	6(29)	260,138	570,000
Decrease in long-term borrowings	6(29)	(2,500)	-
Payments of cash dividends	6(18)	(220,020)	(195,522)
Transfer of treasury stocks	6(15)	-	61,881
Net cash flows (used in) from financing activities		(139,433)	618,685
Net increase in cash and cash equivalents		156,130	159,605
Cash and cash equivalents at beginning of year	6(1)	216,589	56,984
Cash and cash equivalents at end of year	6(1)	\$ 372,719	\$ 216,589

The accompanying notes are an integral part of these parent company only financial statements.

QUALIPOLY CHEMICAL CORP.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and organization

(1) Qualipoly Chemical Corp. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law and other related laws in November 1978. The Company is primarily engaged in the manufacture and sales UV curable materials, unsaturated polyester resins (UP resins) and synthetic resin with various usages, etc.

(2) The shares of the Company have been traded on the Taipei Exchange since December 2001 and it transfers to be listed on the Taiwan Stock Exchange since August 2012.

2. The Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

These parent company only financial statements were authorized for issuance by the Board of Directors on March 9, 2023.

3. Application of new Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board (“IASB”)
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 — 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

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Net defined benefit assets based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting

Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5, ‘Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty’.

(3) Foreign currency translation

Items included in the Company’s parent company only financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and the Company’s presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘Other gains and losses’.

B. Translation of foreign operations

- (a) The financial performance and financial position of all the company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognized in other comprehensive income.

(b) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(5) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. Dividends income are recognized in parent company only comprehensive income statements when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue in the parent company only statement of comprehensive income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. The Company's restricted deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost transfer is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses. If the cost exceeds net realizable value, valuation loss is accrued and recognized in operating costs. If the net realizable value reverses, valuation is eliminated within the credit balance and is recognized as deduction of operating costs.

(10) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(12) Investments accounted for under equity method/subsidiaries

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised gains or losses on transactions between the Company and subsidiaries have been eliminated. The accounting policies of the subsidiaries have been adjusted to be consistent with the Company's accounting policies.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses in proportion to its ownership.
- D. Pursuant to the Rules "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the profit or loss and other comprehensive income or loss in the parent company only financial statements shall equal to amount attributable to owners of the parent in the consolidated financial statements. Owner's equity in the parent company only financial statements shall equity attributable to owners of the parent in the consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying

amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Assets	Useful lives
Buildings (including auxiliary facilities)	1 ~ 55 years
Machinery	1 ~ 20 years
Transportation equipment	2 ~ 15 years
Office equipment	3 ~ 15 years
Other equipment	1 ~ 25 years

(14) Leasing arrangements (lessee) – right-of-use assets/lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, and less any lease incentives receivable. The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- The amount of the initial measurement of lease liability; and
 - Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognize the difference in profit or loss.

(15) Intangible assets

Licences is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 to 5 years.

(16) Impairment of non-financial assets

- A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
- B. The recoverable amount of goodwill is evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill will not be reversed in subsequent years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(17) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(18) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Employee stock-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions

and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

- B. When the Company reissues treasury stocks to employees, the grant date is the date the Board of Directors approved and confirmed the purchase price and the number of treasury stocks reissued to employees.
- C. When the Company issues employee stock options to employees, the grant date is the date the Board of Directors approved and confirmed the purchase price and the number of employee stock options to employees.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(23) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Revenue recognition

A. Sales of goods

- (a) Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales revenue is recognized based on the contract price, net of sales discount. Sales discounts and allowances are granted to customers due to consumer complaint, recognition of contract price deviation and contract prepayment. The Company's revenue is recognized upon delivery of goods for domestic sales and upon shipment of goods for export sales, it is highly likely that there will be no significant reversal of sales in the future, and were updated on every balance sheet date. A credit item to accounts receivable is recognized for expected sales discounts and allowances payable to customers in relation to sales made

until the end of the reporting period. Sales are usually paid in cash or through the issuance of a letter of credit before delivery and have an average credit term of 90 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognizes the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Valuation of notes and accounts receivable

- (a) The Company applies the modified approach using a provision matrix to estimate expected credit loss, taking into account the customers' characteristics, historical experience of collection, economic situation in the country where the customer is located, and the customers' financial status. Because the expected credit loss was measured and calculated based on the loss rate which was built by the asset, thus, if the expected credit loss was greater than estimation in the future, there would be significant impairment loss.
- (b) As of December 31, 2022, the carrying amount of notes and accounts receivable (excluding related parties) was \$567,553.

B. Valuation of inventories

- (a) As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Because of the effects from market demand in different channels, changes in

technology and other factors, the Company assesses the amounts of normal consumption, obsolescence or without market value, and wrote off the inventory cost to net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the valuation.

(b) As of December 31, 2022, the carrying amount of inventories was \$848,118.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash:		
Cash on hand and revolving funds	\$ 664	\$ 624
Checking accounts and demand deposits	372,055	215,965
	<u>\$ 372,719</u>	<u>\$ 216,589</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2022 and 2021, the Company had restricted cash due to the application of Repatriated Offshore Funds Act in the amount of \$—and \$45,835, respectively, which were listed as ‘Financial assets at amortized cost - current’.

C. As of December 31, 2022 and 2021, the Company had no cash and cash equivalents pledged to others as collateral.

(2) Financial assets at fair value through profit or loss - current

<u>Asset item</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 14,400	\$ 22,325
Valuation adjustment	2,774	2,650
	<u>\$ 17,174</u>	<u>\$ 24,975</u>

A. The Company recognized net profit amounting to \$6,121 and \$13,729 (listed as ‘Other gains and losses’) on financial assets at fair value through profit or loss for the years ended December 31, 2022 and 2021, respectively.

B. As of December 31, 2022 and 2021, the Company has no financial assets at fair value through profit or loss pledged to others as collateral.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2), ‘Financial instruments’.

(3) Notes and accounts receivable, net

	December 31, 2022	December 31, 2021
Notes receivable	\$ 65,619	\$ 86,320
Accounts receivable	\$ 530,258	\$ 936,698
Less: Allowance for uncollectible accounts	(28,324)	(34,769)
	<u>\$ 501,934</u>	<u>\$ 901,929</u>

A. The ageing analysis of notes receivable and accounts receivable (including related parties) is as follows:

	December 31, 2022	December 31, 2021
Notes receivable:		
Within the credit period	<u>\$ 65,619</u>	<u>\$ 86,320</u>
Accounts receivable:		
Within the credit period	\$ 505,336	\$ 964,575
Overdue up to 30 days	48,877	115,649
Overdue 31 to 90 days	12,391	5,303
Overdue 91 to 150 days	-	1,443
Overdue over 150 days	4,680	10,797
	<u>\$ 571,284</u>	<u>\$ 1,097,767</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, notes and accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables (including related parties) from contracts with customers amounted to \$893,861.

C. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk was the carrying amount.

D. As of December 31, 2022 and 2021, the Company had no notes and accounts pledged to others as collateral.

E. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(4) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 440,159	(\$ 32,744)	\$ 407,415
Supplies	13,210	(188)	13,022
Work in progress	129,860	(14,863)	114,997
Finished goods	338,990	(26,306)	312,684
	<u>\$ 922,219</u>	<u>(\$ 74,101)</u>	<u>\$ 848,118</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 394,741	(\$ 15,874)	\$ 378,867
Supplies	27,398	(65)	27,333
Work in progress	98,301	(9,087)	89,214
Finished goods	322,515	(11,373)	311,142
	<u>\$ 842,955</u>	<u>(\$ 36,399)</u>	<u>\$ 806,556</u>

The cost of inventories recognized as expense for the year:

	For the years ended December 31,	
	2022	2021
Cost of goods sold	\$ 3,063,051	\$ 3,342,312
Loss on scrapped inventories	1,511	6,860
Provision (reversal of allowance) for inventory market price decline (Note)	37,702 (	2,509)
Gain on physical inventories	(5,061) (	4,872)
Sales from sales of scraps	(753) (	966)
	<u>\$ 3,096,450</u>	<u>\$ 3,340,825</u>

(Note) For the year ended December 31, 2021, the Company reversed a previous inventory write-down as a result of subsequent sales and scraps of certain inventories which were previously provided with allowance.

(5) Financial assets at fair value through other comprehensive income - non-current

Asset	December 31, 2022
Equity instruments	
Unlisted stocks	<u>\$ 56,840</u>

A. On March 9, 2022, the Company invested \$56,840 in Electroninks, Inc. The purpose of the investment was to enter the field of international intermediate-level electronic materials, thereby enhancing the opportunity of transformation of the Company's high value added products and upgrading the Company's image and value.

B. The Company has elected to classify the investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income.

C. As of December 31, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was the carrying amount.

D. As of December 31, 2022, the Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.

E. Information relating to credit risk of financial assets at fair value through other comprehensive

income is provided in Note 12(2), 'Financial instruments'.

F. There was no such situation as of December 31, 2021.

(6) Investments accounted for under equity method

	For the years ended December 31,	
	2022	2021
At January 1	\$ 663,523	\$ 737,489
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	(2,257)	56,550
Realized (unrealized) profit from sales, net	13,953	(7,347)
Cash dividends from investments accounted for under equity method	(52,054)	(112,306)
Other equity - Exchange differences on translation of foreign financial statements	34,332	(10,863)
At December 31	<u>\$ 657,497</u>	<u>\$ 663,523</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	<u>\$ 657,497</u>	<u>\$ 663,523</u>

A. For more information about subsidiaries, refer to Note 4(3), 'Basis of consolidation' on the consolidated financial statements report.

B. As of December 31, 2022 and 2021, the Company had no investments accounted for under equity method pledged to others as collateral.

(7) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
<u>January 1, 2022</u>							
Cost	\$ 916,776	\$ 278,222	\$ 697,637	\$ 80,853	\$ 5,818	\$ 134,434	\$ 2,113,740
Accumulated depreciation	-	(108,342)	(452,322)	(53,289)	(3,945)	(97,459)	(715,357)
	<u>\$ 916,776</u>	<u>\$ 169,880</u>	<u>\$ 245,315</u>	<u>\$ 27,564</u>	<u>\$ 1,873</u>	<u>\$ 36,975</u>	<u>\$ 1,398,383</u>
<u>For the year ended December 31, 2022</u>							
At January 1	\$ 916,776	\$ 169,880	\$ 245,315	\$ 27,564	\$ 1,873	\$ 36,975	\$ 1,398,383
Transfers from prepayments for equipment	37,622	41,178	49,645	5,362	533	6,113	140,453
Depreciation	-	(9,097)	(32,889)	(4,567)	(395)	(6,221)	(53,169)
Disposals - cost	-	-	(181)	(470)	(525)	(1,425)	(2,601)
- accumulated depreciation	-	-	166	434	491	1,362	2,453
At December 31	<u>\$ 954,398</u>	<u>\$ 201,961</u>	<u>\$ 262,056</u>	<u>\$ 28,323</u>	<u>\$ 1,977</u>	<u>\$ 36,804</u>	<u>\$ 1,485,519</u>
<u>December 31, 2022</u>							
Cost	\$ 954,398	\$ 319,400	\$ 747,101	\$ 85,745	\$ 5,826	\$ 139,122	\$ 2,251,592
Accumulated depreciation	-	(117,439)	(485,045)	(57,422)	(3,849)	(102,318)	(766,073)
	<u>954,398</u>	<u>201,961</u>	<u>262,056</u>	<u>28,323</u>	<u>1,977</u>	<u>36,804</u>	<u>1,485,519</u>

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
<u>January 1, 2021</u>							
Cost	\$ 336,462	\$ 269,510	\$ 691,521	\$ 79,634	\$ 5,986	\$ 132,505	\$ 1,515,618
Accumulated depreciation	<u>-</u>	<u>(100,263)</u>	<u>(419,358)</u>	<u>(49,037)</u>	<u>(3,878)</u>	<u>(92,370)</u>	<u>(664,906)</u>
	<u>\$ 336,462</u>	<u>\$ 169,247</u>	<u>\$ 272,163</u>	<u>\$ 30,597</u>	<u>\$ 2,108</u>	<u>\$ 40,135</u>	<u>\$ 850,712</u>
<u>For the year ended December 31, 2021</u>							
At January 1	\$ 336,462	\$ 169,247	\$ 272,163	\$ 30,597	\$ 2,108	\$ 40,135	\$ 850,712
Transfers from prepayments for equipment	580,314	8,712	7,289	1,219	94	2,799	600,427
Depreciation	-	(8,079)	(34,119)	(4,252)	(329)	(5,955)	(52,734)
Disposals - cost	-	-	(1,173)	-	(262)	(870)	(2,305)
- accumulated depreciation	-	-	1,155	-	262	866	2,283
At December 31	<u>\$ 916,776</u>	<u>\$ 169,880</u>	<u>\$ 245,315</u>	<u>\$ 27,564</u>	<u>\$ 1,873</u>	<u>\$ 36,975</u>	<u>\$ 1,398,383</u>
<u>December 31, 2021</u>							
Cost	\$ 916,776	\$ 278,222	\$ 697,637	\$ 80,853	\$ 5,818	\$ 134,434	\$ 2,113,740
Accumulated depreciation	<u>-</u>	<u>(108,342)</u>	<u>(452,322)</u>	<u>(53,289)</u>	<u>(3,945)</u>	<u>(97,459)</u>	<u>(715,357)</u>
	<u>\$ 916,776</u>	<u>\$ 169,880</u>	<u>\$ 245,315</u>	<u>\$ 27,564</u>	<u>\$ 1,873</u>	<u>\$ 36,975</u>	<u>\$ 1,398,383</u>

- A. As of December 31, 2022 and 2021, the Company's property, plant and equipment were all for own use.
- B. Amount of borrowing costs capitalized as prepayments for equipment and the range of the interest rates for such capitalization are as follows:

	For the years ended December 31,	
	2022	2021
Amount capitalized	\$ 1,028	\$ -
Interest rate	1.00%	-

- C. To satisfy the requirement of the Company's operating development in the future, in June 2021, the Company was approved by the Industrial Department Bureau to apply for the purchase of the land on No. 862-7 in Tainan Technology Industrial Park. The area was 27,846.45 square meters, at a price of \$20,600 (in dollars) per square meter, and the total price of the land was \$573,637. The payment and transfer had been completed. Additionally, in accordance with regulations, due to building plant, the Company had to pay guarantee to the Industrial Development Bureau in the amount of \$57,392 (listed as 'Guarantee deposits paid'), which will be returned without interest after the construction is completed.
- D. Information about the Company's property, plant and equipment pledged to others as collateral is provided in Note 8, 'Pledged Assets'.

(8) Leasing arrangements – lessee

- A. The Company leases various assets including buildings. Rental contracts are typically made for the period from February 1, 2021 to January 31, 2026. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose special covenants.
- B. The carrying amount of right-of-use assets and the depreciation are as follows:

	December 31, 2022	December 31, 2021
	Carrying amount	Carrying amount
Buildings	\$ 2,088	\$ 2,784
	For the years ended December 31,	
	2022	2021
	Depreciation	Depreciation
Buildings	\$ 696	\$ 696

- C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$- and \$3,480, respectively.

D. Information on profit or loss in relation to lease contracts is as follows:

	For the years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 32	\$ 40
Expense on short-term lease contracts	172	172
Expense on leases of low-value assets	347	324
	<u>\$ 551</u>	<u>\$ 536</u>

E. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$1,239 and \$1,216, respectively.

(9) Intangible assets

	For the years ended December 31,	
	2022	2021
<u>At January 1</u>		
Cost	\$ 32,433	\$ 32,127
Accumulated amortization	(27,659)	(23,717)
	<u>\$ 4,774</u>	<u>\$ 8,410</u>
 At January 1	 \$ 4,774	 \$ 8,410
Additions — acquired separately	185	306
Amortization	(3,359)	(3,942)
At December 31	<u>\$ 1,600</u>	<u>\$ 4,774</u>
 <u>At December 31</u>		
Cost	\$ 32,618	\$ 32,433
Accumulated amortization	(31,018)	(27,659)
	<u>\$ 1,600</u>	<u>\$ 4,774</u>

A. No interest was capitalized for the years ended December 31, 2022 and 2021.

B. Details of amortization expense on intangible assets are as follows:

	For the years ended December 31,	
	2022	2021
Selling expenses	<u>\$ 3,359</u>	<u>\$ 3,942</u>

C. As of December 31, 2022 and 2021, the Company had no intangible assets pledged to others as collateral.

(10) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Unsecured bank borrowings	\$ 82,289	1.60%~5.52%	None
Secured bank borrowings	13,551	1.35%	Land and buildings
	<u>\$ 95,840</u>		

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Unsecured bank borrowings	<u>\$ 270,679</u>	0.65%~1.25%	None

For more information on interest expenses recognized in profit or loss by the Company for the years ended December 31, 2022 and 2021, refer to Note 6(23), 'Financial costs'.

(11) Short-term notes and bills payable

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Acceptance payable	<u>\$ 1,036</u>	—	None

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Acceptance payable	<u>\$ 2,556</u>	—	None

A. Acceptance payables were accepted by Mega International Commercial Bank and other financial institutions who guaranteed to pay the cash amount to the bearer without any conditions at specific date.

B. For more information on interest expenses recognized in profit or loss by the Company for the years ended December 31, 2022 and 2021, refer to Note 6(23), 'Financial costs'.

(12) Other payables

	December 31, 2022	December 31, 2021
Payroll and bonus payable	\$ 85,937	\$ 88,397
Remuneration for directors payable	10,625	13,126
Export expense payable	7,947	14,473
Employees' compensation payable	5,313	6,563
Others	124,952	161,780
	<u>\$ 234,774</u>	<u>\$ 284,339</u>

(13) Long-term borrowings

Type of borrowings	Borrowing period	Interest rate range	Collateral	December 31, 2022
Long-term bank borrowings				
Secured borrowings	2021.9.9~2041.11.1	1.61%	Land and buildings	\$ 633,580
Unsecured borrowings	2022.3.23 ~ 2029.8.15	1.13%~1.45%	None	194,058
				827,638
Less: Current portion				(90,000)
				<u>\$ 737,638</u>

Type of borrowings	Borrowing period	Interest rate range	Collateral	December 31, 2021
Long-term bank borrowings				
Secured borrowings	2021.9.9~2041.9.8	0.95%	Land and buildings	\$ 570,000
Less: Current portion				(5,000)
				<u>\$ 565,000</u>

For more information on interest expenses recognized in profit or loss by the Company for the years ended December 31, 2022 and 2021, refer to Note 6(23), 'Financial costs'.

(14) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 7.70% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. The Company's total contributions to the labor pension reserve fund deposited with Bank of Taiwan had reached the amount for the suspension of contributions, in accordance with "Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds". On July 30, 2020, through the approval of the labor pension reserve supervisory committee, starting from August 1, 2020 to July 31, 2023, the Company can suspend its contributions to the labor pension reserve fund. On August 7, 2020, August 4, 2021 and July 21, 2022, the suspension has been approved by the

Kaohsiung City Labor Affairs Bureau. The information in relation to the defined benefit pension plan of the Company was as follows:

(a) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	(\$ 617)	(\$ 646)
Fair value of plan assets	<u>808</u>	<u>745</u>
Net defined benefit assets	<u>\$ 191</u>	<u>\$ 99</u>

(b) Movements in net defined benefit assets are as follows:

	<u>For the year ended December 31, 2022</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit assets</u>
At January 1	(\$ 646)	\$ 745	\$ 99
Interest (expense) income	(5)	<u>6</u>	<u>1</u>
	(651)	<u>751</u>	<u>100</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	57	57
Change in financial assumptions	43	-	43
Experience adjustments	(9)	-	(9)
	<u>34</u>	<u>57</u>	<u>91</u>
At December 31	<u>(\$ 617)</u>	<u>\$ 808</u>	<u>\$ 191</u>

	For the year ended December 31, 2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets (liabilities)
At January 1	(\$ 597)	\$ 732	\$ 135
Interest (expense) income	(3)	4	1
	(600)	736	136
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	9	9
Change in demographic assumptions	(25)	-	(25)
Change in financial assumptions	23	-	23
Experience adjustments	(44)	-	(44)
	(46)	9	(37)
At December 31	(\$ 646)	\$ 745	\$ 99

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(d) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2022	2021
Discount rate	1.50%	0.75%
Future salary increases rate	3.00%	2.75%

Future mortality rate was estimated both based on the 6th Taiwan Standard Ordinary

Experience Mortality Table for the years ended December 31, 2022 and 2021.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 20)	\$ 21	\$ 20	(\$ 19)
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 23)	\$ 24	\$ 23	(\$ 22)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

- (e) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2023 amount to \$ — .
- (f) As of December 31, 2022, the weighted average duration of the retirement plan is 13.1 years. The analysis of timing of the future pension payment was as follows:

Within next 1 year	\$	-
Next 2~5 years		114
Next over 5 years		67
	\$	<u>181</u>

- B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were \$10,044 and \$9,145, respectively.

(15) Share capital

- A. Movements in the number of the Company’s ordinary shares outstanding are as follows (unit: shares in thousands):

	For the years ended December 31,	
	2022	2021
Beginning number of shares	\$ 100,009	\$ 97,761
Transferred treasury stocks to employees	-	2,248
Ending number of shares	<u>\$ 100,009</u>	<u>\$ 100,009</u>

B. As of December 31, 2022, the Company's authorized capital was \$1,200,000, and the paid-in capital was \$1,000,092, consisting of 100,009 thousand shares of ordinary stock with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

C. Treasury stock

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows (unit: shares in thousands):

	For the year ended December 31, 2021			
Reason for reacquisition	Beginning	Addition	Decrease	Ending
To be reissued to employees	<u>2,248</u>	<u>-</u>	<u>(2,248)</u>	<u>-</u>

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired.
- (e) For the year ended December 31, 2020, the Company repurchased treasury stocks in the total amount of \$62,470 (2,263 thousand shares). For the year ended December 31, 2021, the Company continuously transferred treasury stocks to employees for a total amount of \$62,056 (2,248 thousand shares) (after deducting related securities transaction taxes, the net amount was \$61,881).

There was no such situation for the year ended December 31, 2022.

(16) Share-based payment

A. Employee stock options:

(a) On December 21, 2022, the Company issued compensatory stock option plan of 3,000 units, and the exercise price was \$34 (in dollars) per unit, which was set based on the closing price of the Company's ordinary share on the day of issuance. Employees can subscribe for 1,000 ordinary shares per unit of the options. If there is an increase in the Company's issued ordinary shares after the issuance of stock options, the exercise price is adjusted according to a specific formula, except for the increase caused by the conversion into ordinary shares from various securities with conversion options or stock options issued by the Company or the issuance of new shares due to employees' compensation. The life of the options is 4 years. After 2 years from the date of grant, employees may exercise the options in accordance with terms of employee stock options. For the year ended December 31, 2022, the Company's compensation cost due to employee stock options amounted to \$294.

(b) Details of the share-based payment arrangements are as follows:

Share option	For the year ended December 31, 2022	
	Numbers (units in thousand)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	\$ -
Options granted	3,000	34.00
Options outstanding at December 31	3,000	34.00
Options exercisable at December 31	-	-

(c) The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

	December 21, 2022
Dividend yield	0%
Expected price volatility	25.94%
Risk-free interest rate	1.10%
Expected duration	3 years
Fair value in dollars (per share)	\$6.51(in dollars)

There was no such situation as of December 31, 2021.

B. Treasury stock transferred to employees:

(a) For the year ended December 31, 2021, the Company recognized compensation cost due to the transfer of treasury stocks in the amount of \$18,029. The information is as follows:

For the year ended December 31, 2021				
Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Transferred treasury stock to employees	May 11, 2021	2,248	–	Vested immediately

(b) The share-based payment arrangements was settled by equity and was measured using the Black-Scholes option-pricing model. Relevant information is as follows:

For the year ended December 31, 2021					
Share price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Risk-free interest rate	Fair value per unit (in dollars)
\$ 35.60	\$ 27.61	27.37%	67 days	0.12%	\$ 8.02

There was no such situation as of December 31, 2022.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(18) Retained earnings

D. In accordance with the Company Act, the Company shall set aside 10% of current year's profit after taxes as legal reserve, until the legal reserve equals to the paid-in capital. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

E. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. The residual amount will be provisioned as or reversed from special reserve in accordance with regulations. The remainder, if any, to be appropriated shall be proposed by the Board of Directors and resolved by the stockholders at the stockholders' meeting. When distributing earnings, the Company takes into consideration the industrial environment, financial plans,

sustainable operations, stable development and shareholders' interest as follows:

(a) Conditions and timing of dividend distribution:

Currently, the Company is in a stable stage, thus, the appropriation of earnings would comprehensively take into consideration future operating development, strong financial structure, stable dividends and reasonable returns for shareholders. The distribution of dividends shall be proposed by the Board of Directors and approved by the shareholders.

(b) Appropriation ratio of cash dividends and stock dividends:

The Company distributes shareholders' dividends in the form of cash or stock, of which cash dividends shall comprise at least 20% of the total dividends distributed. However, if the cash dividend per share is less than \$0.5 (in dollars), it can be distributed as stock dividends.

The actual appropriation ratio and form of distribution shall be set by the Board of Directors based on the Company's financial situation and capital budget.

F. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

G. On May 30, 2022 and July 8, 2021, the shareholders during their meeting resolved the distribution of cash dividends from 2021 and 2020 earnings in the amounts of \$220,020 (\$2.2 (in dollars) per share) and \$195,522 (\$2.0 (in dollars) per share), respectively. On March 9, 2023, the Board of Directors resolved for the distribution of cash dividends of \$190,017 (\$1.9 (in dollars) (per share) from 2022 earnings.

(19) Operating revenue

A. The Company derives revenue from contracts with customers which were recognized at a point in time. Revenue is divided into the following major product lines:

	For the years ended December 31,	
	2022	2021
Synthetic resin	\$ 3,653,636	\$ 4,100,020
Others	100,077	114,045
	<u>\$ 3,753,713</u>	<u>\$ 4,214,065</u>

B. The Company has recognized the following revenue-related contract liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities - current (listed as 'Other current liabilities')	<u>\$ 1,538</u>	<u>\$ 10,121</u>	<u>\$ 5,695</u>

Revenue recognized that was included in the contract liabilities at the beginning of the year

were \$10,000 and \$5,610 for the years ended December 31, 2022 and 2021, respectively.

(20) Interest income

	For the years ended December 31,	
	2022	2021
Bank deposits	\$ 364	\$ 94

(21) Other income

	For the years ended December 31,	
	2022	2021
Dividend income	\$ 1,121	\$ 2,590
Other income	3,935	3,829
	<u>\$ 5,056</u>	<u>\$ 6,419</u>

(22) Other gains and losses

	For the years ended December 31,	
	2022	2021
Gains on financial assets at fair value through profit or loss	\$ 6,121	\$ 13,729
Net foreign exchange gains (losses)	84,514 (	20,972)
Loss on disposal of property, plant and equipment	(23) (	22)
	<u>\$ 90,612</u>	<u>(\$ 7,265)</u>

(23) Finance costs

	For the years ended December 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 12,153	\$ 4,643
Lease liabilities	32	40
	12,185	4,683
Less: Capitalization of qualifying assets	(1,028)	-
	<u>\$ 11,157</u>	<u>\$ 4,683</u>

(24) Expenses by nature

For the year ended December 31, 2022			
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 170,947	\$ 163,520	\$ 334,467
Depreciation	43,123	10,742	53,865
Amortization	-	3,359	3,359
	<u>\$ 214,070</u>	<u>\$ 177,621</u>	<u>\$ 391,691</u>

For the year ended December 31, 2021			
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 176,353	\$ 181,478	\$ 357,831
Depreciation	43,464	9,966	53,430
Amortization	-	3,942	3,942
	<u>\$ 219,817</u>	<u>\$ 195,386</u>	<u>\$ 415,203</u>

(25) Employee benefit expense

For the year ended December 31, 2022			
	Operating costs	Operating expenses	Total
Wages and salaries	\$ 145,338	\$ 128,244	\$ 273,582
Employees' compensation	-	294	294
Labour and health insurance fees	13,574	10,365	23,939
Pension costs	5,549	4,494	10,043
Directors' remuneration	-	12,582	12,582
Other personnel expenses	6,486	7,541	14,027
	<u>\$ 170,947</u>	<u>\$ 163,520</u>	<u>\$ 334,467</u>

For the year ended December 31, 2021			
	Operating costs	Operating expenses	Total
Wages and salaries	\$ 145,454	\$ 134,411	\$ 279,865
Employees' compensation	7,635	10,394	18,029
Labour and health insurance fees	12,146	10,267	22,413
Pension costs	4,867	4,277	9,144
Directors' remuneration	-	14,127	14,127
Other personnel expenses	6,251	8,002	14,253
	<u>\$ 176,353</u>	<u>\$ 181,478</u>	<u>\$ 357,831</u>

- A. As of December 31, 2022 and 2021, the average number of employees were 316 and 314 employees, respectively, which included 5 non-employee directors for both years.
- B. For the years ended December 31, 2022 and 2021, the average employee benefits were \$1,035 and \$1,112, respectively, while average wages and salaries were \$880 and \$906, respectively. The average wages and salaries decreased by 2.87% compared to prior year.

C. Salary and remuneration policies were described below:

(a) Directors' remuneration:

When the Company's directors work for the Company, whether the Company has operating profit or not, the Company has to pay remuneration. The Board of Directors is authorized to set the remuneration policy for directors based on the level in the same industry, the degree of contribution of directors in the operations of the Company, and the common standard of payments in the same industry.

(b) General manager's remuneration:

The election, dismissal and remuneration of general manager are resolved by the Board of Directors. The general manager's remuneration shall be based on individual performance and the degree of contribution to the Company, and the standard of payments in the market.

(c) Employees' compensation:

The employees' compensation is based on individual's ability, degree of contribution to the Company, performance and market value of their position, in correlation with the Company's operating performance. Employees' compensation primarily includes basic salary, subsistence allowance and reward, etc.

In addition, the Company has set up an Audit Committee, so there is no supervisors' remuneration.

D. Under the Company's Articles of Incorporation, employees' compensation and directors' remuneration shall be distributed at a ratio of not lower than 1% but not more than 1.5% of current year's earnings, and not more than 3% of current year's earnings, respectively. However, if the Company has an accumulated deficit, the earnings shall be reserved to cover the deficit.

E. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$5,313 and \$6,563, respectively; while directors' remuneration was accrued at \$10,625 and \$13,126, respectively. The aforementioned amounts were recognized in salary expenses. The expenses recognized were accrued based on the profit of current year distribution and the percentage specified in the Articles of Incorporation of the Company. The employees' compensation and directors' remuneration for 2021 as resolved by the Board of directors were \$6,563 and \$13,126, respectively, which were the same with the amounts recognized in the financial statements for the year ended December 31, 2021. On March 9, 2023, the employees' compensation and directors' remuneration for 2022 as resolved by the Board of Directors were \$5,313 and \$10,625, respectively, and the employees' compensation will be distributed in the form of cash. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 90,041	\$ 101,122
Tax on undistributed surplus earnings	5,115	2,556
Prior year income tax (over) under estimation	(2,499)	149
	<u>92,657</u>	<u>103,827</u>
Deferred tax:		
Origination and reversal of temporary differences	(23,175)	(13,989)
Income tax expense	<u>\$ 69,482</u>	<u>\$ 89,838</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2022	2021
Remeasurements of defined benefit obligations	\$ 18	(\$ 7)
Currency translation differences	<u>6,866</u>	<u>(2,173)</u>
	<u>\$ 6,884</u>	<u>(\$ 2,180)</u>

(c) Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 76,905	\$ 91,529
Effects from items disallowed by tax regulation	(10,039)	(4,396)
Tax on undistributed surplus earnings	5,115	2,556
Prior year income tax (over) under estimation	(2,499)	149
Income tax expense	<u>\$ 69,482</u>	<u>\$ 89,838</u>

B. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

For the year ended December 31, 2022				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences:				
Allowance for bad debts	\$ 4,596	\$ -	\$ -	\$ 4,596
Loss on inventories from market decline	7,280	7,540	-	14,820
Pensions	12,827	-	(18)	12,809
Unrealized exchange loss	79	(79)	-	-
Currency translation differences	8,870	-	(6,866)	2,004
Others	6,440	(2,753)	-	3,687
	<u>\$ 40,092</u>	<u>\$ 4,708</u>	<u>(\$ 6,884)</u>	<u>\$ 37,916</u>
Deferred income tax liabilities				
Temporary differences:				
Share of other comprehensive income accounted for under equity method	(\$ 7,900)	\$ -	\$ -	(\$ 7,900)
Investment income	(54,045)	18,763	-	(35,282)
Pensions	(12,893)	(1)	-	(12,894)
Book tax difference in the timing of revenue recognition	(1,189)	180	-	(1,009)
Unrealized exchange gain	-	(475)	-	(475)
	<u>(\$ 76,027)</u>	<u>\$ 18,467</u>	<u>\$ -</u>	<u>(\$ 57,560)</u>
	<u>(\$ 35,935)</u>	<u>\$ 23,175</u>	<u>(\$ 6,884)</u>	<u>(\$ 19,644)</u>

For the year ended December 31, 2021				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences:				
Allowance for bad debts	\$ 4,114	\$ 482	\$ -	\$ 4,596
Loss on inventories from market decline	7,782	(502)	-	7,280
Pensions	12,820	-	7	12,827
Unrealized exchange loss	-	79	-	79
Currency translation differences	6,697	-	2,173	8,870
Others	4,860	1,580	-	6,440
	<u>\$ 36,273</u>	<u>\$ 1,639</u>	<u>\$ 2,180</u>	<u>\$ 40,092</u>
Deferred income tax liabilities				
Temporary differences:				
Share of other comprehensive income accounted for under equity method	(\$ 7,900)	\$ -	\$ -	(\$ 7,900)
Investment income	(65,579)	11,534	-	(54,045)
Pensions	(12,893)	-	-	(12,893)
Book tax difference in the timing of revenue recognition	(1,255)	66	-	(1,189)
Unrealized exchange gain	(750)	750	-	-
	<u>(\$ 88,377)</u>	<u>\$ 12,350</u>	<u>\$ -</u>	<u>(\$ 76,027)</u>
	<u>(\$ 52,104)</u>	<u>\$ 13,989</u>	<u>\$ 2,180</u>	<u>(\$ 35,935)</u>

C. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. As of March 9, 2023, the Company was not involved in any administration lawsuit.

(27) Earnings per share

For the year ended December 31, 2022			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit for the year	\$ 315,043	100,009	\$ 3.15
<u>Diluted earnings per share</u>			
Profit for the year	\$ 315,043	100,009	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	196	
Profit for the year plus assumed conversion of all dilutive potential ordinary shares	\$ 315,043	100,205	\$ 3.14
For the year ended December 31, 2021			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit for the year	\$ 367,807	98,500	\$ 3.73
<u>Diluted earnings per share</u>			
Profit for the year	\$ 367,807	98,500	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	183	
Profit for the year plus assumed conversion of all dilutive potential ordinary shares	\$ 367,807	98,683	\$ 3.73

For the year ended December 31, 2022, the Company's employee stock options had an anti-dilutive effect, so they were not included in the calculation of diluted earnings per share.

(28) Supplemental cash flow information

Operating and investing activities with no cash flow effects:

	For the years ended December 31,	
	2022	2021
A. Write-offs of allowance for uncollectible accounts	\$ 445	\$ 5,558
B. Prepayments for equipment transferred to property, plant and equipment	\$ 140,453	\$ 600,427

(29) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings (including current portion)	Total
January 1, 2022	\$ 270,679	\$ 2,556	\$ 2,800	\$ 570,000	\$ 846,035
Changes in cash flow from financing	(174,843)	(1,520)	(688)	257,638	80,587
Changes in other non-cash items	4	-	-	-	4
December 31, 2022	\$ 95,840	\$ 1,036	\$ 2,112	\$ 827,638	\$ 926,626

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings (including current portion)	Total
January 1, 2021	\$ 88,868	\$ 1,929	\$ -	\$ -	\$ 90,797
Changes in cash flow from financing	182,379	627	(680)	570,000	752,326
Changes in other non-cash items	(568)	-	3,480	-	2,912
December 31, 2021	\$ 270,679	\$ 2,556	\$ 2,800	\$ 570,000	\$ 846,035

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Qualipoly Technology (Kunshan) Corp.	Subsidiary
Qualipoly Technology (Guangdong) Corp.	Subsidiary
Qualipoly Technology (Shanghai) Corp.	Subsidiary
Dongguan Chao you New Material Co., Ltd.	Subsidiary

(2) Significant related party transactions

A. Sales

	For the years ended December 31,	
	2022	2021
Subsidiaries	\$ 286,420	\$ 454,125

Aforementioned accounts which were generated from sales were collected and paid on behalf of the Company by Horizon Trading Co., Ltd. The price was affected by the competitor in Mainland China, thus, the price was lower than that in Taiwan. The collection terms were almost the same for general customers, 90 days after monthly billings and T/T, except Dongguan Chao You New Material Co., Ltd. and Qualipoly Technology (Shanghai) Corp. which were 120 days after monthly billings.

B. Receivables from related parties

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 41,026	\$ 161,069

The receivables from related parties arise mainly from sales transactions. The receivables are unsecured in nature and bear no interest. There is no allowance for uncollectible accounts held against receivables from related parties.

C. Endorsements and guarantees

Counterparty	Description	December 31, 2022	December 31, 2021
Qualipoly Technology (Guangdong) Corp.	Guarantee for financing	\$ 46,065	\$ 84,960
Qualipoly Technology (Kunshan) Corp.	Guarantee for financing	46,065	41,520
		\$ 92,130	\$ 126,480

As of December 31, 2022 and 2021, the actual amounts drawn from the endorsements and guarantees were \$16,751 and \$28,443, respectively.

D. Key management compensation

	For the years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 36,830	\$ 38,801
Post-employment benefits	467	385
	\$ 37,297	\$ 39,186

8. Pledged Assets

The Company's assets pledged as collateral are as follows:

Pledged asset item	2022	2021	Purpose
Land (Note)	\$ 750,705	\$ 750,705	Short-term borrowings, long-term borrowings and borrowing facilities
Buildings, net (Note)	46,813	51,241	Short-term borrowings, long-term borrowings and borrowing facilities
Other equipment, net (Note)	4,364	5,135	Facilities of long-term borrowings
	<u>\$ 801,882</u>	<u>\$ 807,081</u>	

(Note) Listed as 'Property, plant and equipment'.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

Except for those mentioned in Note 7, the Company's other significant contingent liabilities and unrecognized contract commitments were as follows:

(1) As of December 31, 2022 and 2021, the outstanding letters of credit issued but not negotiated were \$47,932 and \$68,162, respectively.

(2) Capital expenditures contracted but not yet incurred are as follows:

	December 31, 2022	December 31, 2021
Property, plant and equipment	<u>\$ 684,634</u>	<u>\$ 6,380</u>

(3) On April 8, 2019, in accordance with the Waste Disposal Act, the inspection unit of Hsinchu City came to the Company to clarify the case and interview certain employees. The Taiwan Hsinchu District Prosecutors Office investigated the Company in accordance with the Waste Disposal Act. On June 17, 2020, Taiwan Hsinchu District Prosecutors Office filed a criminal charge against the Company and two employees. The preliminary proceedings of the case was completed on July 19, 2022, and a brief summary of the ruling of the Taiwan Hsinchu District Court on October 31, 2022 is as follows:

- (a) The two employees were both charged with illegal waste clearance and disposal in accordance with the first half of subparagraph 4 of Article 46 of the Waste Disposal Act.
- (b) The Company was charged with illegal waste clearance and disposal in accordance with the first half of subparagraph 4 of Article 46 of the Waste Disposal Act since its employees violated the foregoing article.
- (c) All of the Company's illegal income will be confiscated. If whole or a part of the income cannot be confiscated or the execution is not appropriate, an equivalent value thereof shall be collected from the Company.

The Company has recognized the corresponding liability for the penalty and related loss totaling \$45,979, which the Company is expected to fully settle within one year from the date of the ruling.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

To expand the sales in Europe and America, the Company's Board of Directors approved to sign the exclusive sales contract with the counterparty of business - IGM GROUP B.V., on February 3, 2023, and the contract period will be for the period from February 1, 2023 to December 31, 2027. The countries covered under the exclusive sales contract are Europe (excluding England, France, Spain and Italy), United States, Canada and Mexico, etc.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

i. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 17,174</u>	<u>\$ 24,975</u>
Financial assets at fair value through other comprehensive income	<u>\$ 56,840</u>	<u>\$ -</u>
Financial assets at amortized cost		
Cash and cash equivalents	\$ 372,719	\$ 216,589
Financial assets at amortized cost	-	45,835
Notes receivable	65,619	86,320
Accounts receivable	542,960	1,062,998
Other receivables	6,713	13,209
Guarantee deposits paid	<u>57,532</u>	<u>65,502</u>
	<u>\$ 1,045,543</u>	<u>\$ 1,490,453</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 95,840	\$ 270,679
Short-term notes and bills payable	1,036	2,556
Notes payable	106,227	217,452
Accounts payable	145,688	223,580
Other payables	234,774	284,339
Long-term borrowings (including current portion)	827,638	570,000
	<u>\$ 1,411,203</u>	<u>\$ 1,568,606</u>
Lease liabilities	<u>\$ 2,112</u>	<u>\$ 2,800</u>

ii. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. To minimise any adverse effect on the financial performance of the Company, derivative instruments are used to hedge certain exchange rate risk based on situation.
- (b) Risk management is carried out by the Company's treasury department under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

iii. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various currency, primarily with respect to the USD, AUD and RMB. Foreign exchange rate risk arises from future commercial transactions and recognized assets and liabilities.
- ii. The Company has certain sales and purchases denominated in USD and other foreign currencies. Exchange rates would affect the fair value. When commercial transaction occur, recognized assets or liabilities do not price at the functional foreign currency of the entity, the exchange risk will occur.
- iii. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Company's foreign operations are considered strategic investments; thus, no hedging for the purpose is conducted in the future.

- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2022		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 9,913	30.71	\$ 304,428
AUD:NTD	3,120	20.83	64,990
RMB:NTD	14,694	4.408	64,771
JPY:NTD	120,818	0.2324	28,078
GBP:NTD	560	37.09	20,770
EUR:NTD	381	32.72	12,466
<u>Investments accounted for under equity method</u>			
USD:NTD	21,410	30.71	657,497
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	469	30.71	14,403

	December 31, 2021		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 24,379	27.68	\$ 674,811
RMB:NTD	47,678	4.344	207,113
EUR:NTD	1,139	31.32	35,673
AUD:NTD	1,640	20.08	32,931
JPY:NTD	84,295	0.2405	20,273
GBP:NTD	499	37.30	18,613
<u>Investments accounted for under equity method</u>			
USD:NTD	23,971	27.68	663,523
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3,366	27.68	93,171

- v. The sensitivity analysis of foreign exchange risk mainly focused on the foreign currency monetary items at the end of the financial reporting date. If the exchange rate of NTD to all foreign currency had increased/decreased by 1% with all other variables remaining constant, the profit or loss for the years ended December 31, 2022 and 2021 would have increased/decreased by \$3,849 and \$7,170, respectively.
- vi. The total exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to \$84,514 and (\$20,972), respectively.

Price risk

- i. The Company is exposed to the price risk of equity securities because of investments held by the Company and classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income on the parent company only balance sheet. To manage the price risk arising from equity securities, the Company strictly evaluates investment activities and pre-sets a “stop loss”, so the Group does not expect material price risk.
- ii. The sensitivity analysis of price risk of equity securities is calculated from fair value changes at the end date of financial reporting date. If the price of these equity securities had increased/decreased by 1% with all other variables remaining constant, post-tax

profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$172 and \$250, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. And other comprehensive income would have increased/decreased by \$568 and \$–, respectively, as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Company's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- ii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have decreased/increased by \$97 and \$37, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Company manages its credit risk taking into consideration the entire company's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- iii. In line with the credit risk management policies, if the contract payments were past due within 90 days, the proceeds are within normal collection period. However, the defaults occur past due over 90 days.
- iv. The Company classifies customer's accounts receivable in accordance with credit rating of customer. The Company applies the modified approach using a provision matrix to estimate the expected credit loss. The Company used the forecast to adjust historical and timely information to assess the default possibility of receivable, whereby the rate ranging from 1.29%~100% are applied to the provision matrix. Movements in relation to the Company applying the modified approach to provide loss allowance for receivables are as follows:

	For the years ended December 31,	
	2022	2021
At January 1	\$ 34,769	\$ 29,509
Expected credit (gains) losses	(6,000)	10,818
Write-offs of uncollectible receivables	(445)	(5,558)
At December 31	<u>\$ 28,324</u>	<u>\$ 34,769</u>

(c) Liquidity risk

- i. The Company's treasury department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities and ensure the Company has sufficient financial flexibility.
- ii. Surplus cash held by the Company exceeded the requirement of working capital management. The Company's treasury department aggregately invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The Company has the following undrawn borrowing facilities:

	December 31, 2022	December 31, 2021
Floating rate:		
Expiring within one year	\$ 1,111,068	\$ 997,244
Expiring beyond one year	1,039,462	400,000
Fixed rate:		
Expiring within one year	-	78,761
	<u>\$ 2,150,530</u>	<u>1,476,005</u>

The facilities expiring within one year are annual facilities subject to review at various dates during the next year. The other facilities are for the Company's operating capital.

- iv. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

December 31, 2022	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years
Non-derivative financial liabilities				
Short-term borrowings	\$ 96,241	\$ -	\$ -	\$ -
Short-term notes and bills payable	1,036	-	-	-
Notes payable	106,227	-	-	-
Accounts payable	145,688	-	-	-
Other payables	234,774	-	-	-
Lease liabilities (including current and non-current)	720	720	720	-
Long-term borrowings (including current portion)	100,669	46,835	261,419	508,188
December 31, 2021	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	More than 5 years
Non-derivative financial liabilities				
Short-term borrowings	\$ 271,302	\$ -	\$ -	\$ -
Short-term notes and bills payable	2,556	-	-	-
Notes payable	217,452	-	-	-
Accounts payable	223,580	-	-	-
Other payables	284,339	-	-	-
Lease liabilities (including current and non-current)	720	720	1,440	-
Long-term borrowings (including current portion)	10,413	35,237	157,948	417,951

v. The Company does not expect the maturity date to end early nor the actual cash flow to be materially different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investments in listed stocks is included in Level 1.

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

Level 3: Unobservable inputs for the asset or liability.

- B. The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortized cost - current, notes receivable, accounts receivable (including related parties), other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables and long-term borrowings (including current portion)) are approximate to their fair values.
- C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets as of December 31, 2022 and 2021 are as follows:

(a) The related information on the nature of the assets is as follows:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 17,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,174</u>
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,840</u>	<u>\$ 56,840</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 24,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,975</u>

- (b) The methods and assumptions the Company used to measure fair value are as follows:
- The instruments the Company used closing price as their fair values (that is, Level 1).
 - Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date.
 - The output of valuation model is an estimated value and the valuation technique may

not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

- D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2, nor transfer into or out from Level 3.
- E. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	For the years ended December 31,	
	2022	2021
At January 1	\$ -	\$ -
Acquired during the year	56,840	-
At December 31	<u>\$ 56,840</u>	<u>\$ -</u>

(Note) For the year ended December 31, 2021, there was no valuation for the Level 3 equity securities, because the difference was not material between the fair value and the carrying amount.

- F. Treasury segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model.
- G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 56,840	Net asset value	Not applicable	Not applicable	The higher the net assets value, the higher the fair value

There was no such situation as of December 31, 2021.

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on other comprehensive income from financial assets categorized within Level 3 if the inputs used to valuation models have changed:

			December 31, 2022			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	Discount for lack of marketability	±10%	\$ -	\$ -	\$ 568	(\$ 568)

(4) Others

Due to the Covid-19 pandemic and the implementation of the government's various preventive measures, the Company thoroughly complied with "Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019". Each department is operating as usual, and the pandemic had no significant impact on the Company's operations.

13. Supplementary Disclosures

According to the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2022.

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Refer to table 1.

C. Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures): Refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or

20% of the Company's paid-in capital or more: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 3.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 7.

(4) Major shareholders information

Refer to table 8.

14. Segment Information

Not applicable.

QUALIPOLY CHEMICAL CORP.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash:		
Cash on hand		\$ 394
Revolving funds		270
Checking Deposits		209,359
Demand Deposits – New Taiwan dollar		61,992
– Foreign currency	JPY 78,887 (in thousands), exchange rate: 0.232 ; USD 2,538 (in thousands), exchange rate: 30.71 ; EUR 114 (in thousands), exchange rate: 32.72 ; GBP 19 (in thousands), exchange rate: 37.09 ;	100,704
		<u>\$ 372,719</u>

QUALIPOLY CHEMICAL CORP.
STATEMENT OF NOTES RECEIVABLE, NET
DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
Company A	Notes receivable	\$ 6,143
Company B	"	5,138
Other (individually less than 5%)	"	54,338
		<u>\$ 65,619</u>

QUALIPOLY CHEMICAL CORP.
STATEMENT OF ACCOUNTS RECEIVABLES, NET
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Group C	Receivables from the client	\$ 61,738
Company D	"	51,204
Other (individually less than 5%)	"	<u>417,316</u>
		530,258
Less: Allowance for uncollectible accounts		(<u>28,324</u>)
		<u>\$ 501,934</u>

QUALIPOLY CHEMICAL CORP.
STATEMENT OF INVENTORIES
DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Raw materials	—	\$ 440,159	\$ 429,631	(Note)
Supplies	—	13,210	14,235	"
Work in progress	—	129,860	140,868	"
Finished goods	—	338,990	351,758	"
		922,219	<u>\$ 936,492</u>	
Less: Allowance for valuation loss		(74,101)		
		<u>\$ 848,118</u>		

(Note) Refer to Note 4(9) for the method to determine the net realisable value.

QUALIPOLY CHEMICAL CORP.
STATEMENT OF PREPAYMENTS
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Input tax	—	\$ 20,921
Prepayments for purchases	—	14,378
Other (individually less than 5%)	—	10,585
		<u>\$ 45,884</u>

QUALIPOLY CHEMICAL CORP.
STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Name	Beginning Balance		Increase		Decrease		Ending Balance		Accumulated impairment	Collateral
	Number of shares	Fair value	Number of shares	Amount	Number of shares	Amount	Number of shares	Fair value (Note)		
ELECTRONINKS INCORPORATED	-	\$ -	1,044	\$ 56,840	-	\$ -	1,044	\$ 56,840	\$ -	None

(Note) For the year ended December 31, 2021, there was no valuation for the Level 3 equity securities, because the difference was not material between the fair value and the carrying amount.

QUALIPOLY CHEMICAL CORP.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

The Name of the Company	Beginning Balance		Increase		Decrease		Ending Balance			Market Value or Net Assets Value		Collatera l	Note
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Percentage of Ownership	Amount	Unit Price (in dollars)	Total Amount		
Qualipoly International Inc.	8,730	\$ 377,531	-	\$ 24,304	-	\$ -	8,730	100%	\$ 401,835	\$ 46.69	\$ 407,603	None	—
Chao Chien International Inc.	2,169	<u>285,992</u>	-	<u>30,629</u>	-	<u>(60,959)</u>	2,169	100%	<u>255,662</u>	119.18	<u>258,493</u>	None	—
		<u>\$ 663,523</u>		<u>\$ 54,933</u>		<u>(\$ 60,959)</u>			<u>\$ 657,497</u>		<u>\$ 666,096</u>		

QUALIPOLY CHEMICAL CORP.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-COST
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(7) for details of property, plant and equipment.

QUALIPOLY CHEMICAL CORP.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-ACCUMULATED
DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(7) for details of property, plant and equipment.

Refer to Note 4(13) for the method to determine depreciation and useful lives for assets.

QUALIPOLY CHEMICAL CORP.
STATEMENT OF CHANGES IN PREPAYMENTS FOR EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transferred (Note)</u>	<u>Ending Balance</u>	<u>Note</u>
Prepayments for equipment	\$ <u>40,774</u>	<u>\$372,582</u>	(\$ <u>140,453</u>)	\$ <u>272,903</u>	–

(Note) Transferred to 'Property, plant and equipment'.

QUALIPOLY CHEMICAL CORP.
STATEMENT OF GUARANTEE DEPOSITS PAID
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Amount
Guarantees for applying purchase of land in Tainan Technology Industrial Park.	\$ 57,392
Other (individually less than 5%)	<u>140</u>
	<u>\$ 57,532</u>

QUALIPOLY CHEMICAL CORP.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Nature	Description	Ending Balance	Contract Period	Range of Interest Rate	Credit Facility	Collateral	Note
Unsecured bank borrowings	Taipei Fubon Bank	\$ 80,000	2022.7.27~2023.5.13	1.60%~1.66%	\$ 180,000	None	—
	Mega International Commercial Bank	2,289	2022.12.14~2023.3.30	5.52%	USD 7,000 thousands	None	—
Secured bank borrowings	Bank of Taiwan	13,551	2022.10.7~2023.1.3	1.35%	150,000	Land and buildings	—
		<u>\$ 95,840</u>					

QUALIPOLY CHEMICAL CORP.
STATEMENT OF NOTES PAYABLE
DECEMBER 31, 2022

(Expressed in thousands of New Taiwan dollars)

<u>Name of suppliers</u>	<u>Description</u>	<u>Amount</u>
JSR MICRO TAIWAN CO., LTD.	Notes payable	\$ 19,704
YUAN JEN ENTERPRISES CO., LTD.	"	12,252
NAN YA PLASTICS CORP.	"	10,953
MARCO TECHNOLOGY CORP.	"	8,883
SINO-JAPAN CHEMICAL CO., LTD.	"	5,795
UPC TECHNOLOGY CORP.	"	5,576
Other (individually less than 5%)	"	43,064
		<u>\$ 106,227</u>

QUALIPOLY CHEMICAL CORP.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Name of suppliers</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
YUAN JEN ENTERPRISES CO., LTD.	Accounts payable	\$ 18,752
NAN YA PLASTICS CORP.	"	16,950
GRAND PACIFIC PETROCHEMICAL CORP.	"	12,116
JSR MICRO TAIWAN CO., LTD	"	8,312
Other (individually less than 5%)	"	89,558
		<u>\$ 145,688</u>

QUALIPOLY CHEMICAL CORP.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(12) for details of other payables.

QUALIPOLY CHEMICAL CORP.
STATEMENT OF CURRENT INCOME TAX LIABILITIES
DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars)

Item	Amount
Current income tax payable	\$ 90,020
Tax on undistributed surplus earnings payable	5,115
	<u>\$ 95,135</u>

QUALIPOLY CHEMICAL CORP.
LONG-TERM LIABILITIES, CURRENT PORTION
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Description	Description	Range of Interest Rate	Amount	Collateral
Yuanta Commercial Bank	(Note)	1.45%	\$ 60,000	None
Bank of Taiwan	(Note)	1.61%	<u>30,000</u>	Land and buildings
			<u>\$ 90,000</u>	

(Note) Refer to Note 6(13) for details of long-term borrowings.

QUALIPOLY CHEMICAL CORP.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Creditor	Nature	Contract Period	Interest Rate	Amount	Collateral	Note
Bank of Taiwan	Secured borrowings	2021.9.9～2041.9.9	1.61%	\$ 450,000	Land	(Note 1)
	Secured borrowings	2021.11.1～2026.11.1	1.61%	117,500	Land and buildings	(Note 2)
	Secured borrowings	2022.8.31～2041.11.1	1.61%	66,080	Buildings	(Note 3)
Chinatrust Commercial Bank	Unsecured borrowings	2022.3.23～2029.3.15	1.23%	1,302	None	(Note 4)
	Unsecured borrowings	2022.8.23～2029.8.15	1.23%	10,206	None	(Note 4)
E.SUN Commercial Bank	Unsecured borrowings	2022.4.18～2029.4.15	1.33%	71,893	None	(Note 4)
Yuanta Commercial Bank	Unsecured borrowings	2022.10.27～2024.10.27	1.45%	60,000	None	(Note 5)
Cathay United Bank	Unsecured borrowings	2022.3.23～2029.2.8	1.13%	50,657	None	(Note 4)
				827,638		
	Less: Current portion			(90,000)		
				<u>\$ 737,638</u>		

(Note 1) The grace period for the principal is 36 months, the principal is repaid in 204 installments after the grace period is due.

(Note 2) The grace period for the principal is 12 month with monthly interest, the principal is repaid in 48 installments after the grace period is due, there is monthly interest as well.

(Note 3) The grace period for the principal is 36 month with monthly interest, the principal is repaid in 204 installments after the grace period is due, there is monthly interest as well.

(Note 4) The grace period for the principal is 36 month with monthly interest, the principal is repaid in 48 installments after the grace period is due, there is monthly interest as well.

(Note 5) Monthly interest payment, principal repayment once due.

QUALIPOLY CHEMICAL CORP.
STATEMENT OF CHANGES IN DEFERRED TAX LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(26) for details of income taxes.

QUALIPOLY CHEMICAL CORP.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Quantity	Amount		Note
		Subtotal	Total	
Sales revenue:				
Synthetic resin	33 kilotons	\$ 3,667,764		—
Others		<u>100,127</u>	\$ 3,767,891	—
Less: Sales returns and discounts			(14,178)	—
Operating revenue			<u>\$ 3,753,713</u>	

QUALIPOLY CHEMICAL CORP.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Amount
Beginning raw materials	\$ 394,741
Add: Raw materials purchased	2,464,225
Transferred from work in progress	276,423
Gain on physical inventory	4,227
Others	47
Less: Transferred to expenses	(17,314)
Scrapped	(524)
Ending raw materials	(440,159)
Raw materials used during the year	<u>2,681,666</u>
Beginning supplies	27,398
Add: Supplies purchased	206,401
Gain on physical inventory	865
Less: Transferred to expenses	(73,631)
Scrapped	(167)
Others	(7,158)
Ending supplies	(13,210)
Supplies used during the year	<u>140,498</u>
Direct labor	<u>84,859</u>
Manufacturing overhead	<u>372,740</u>
Manufacturing cost	3,279,763
Beginning work in progress	98,301
Add: Transfer from finished goods	218,586
Less: Transferred to raw materials	(276,423)
Ending work in progress	(129,860)
Cost of finished goods	3,190,367

QUALIPOLY CHEMICAL CORP.
STATEMENT OF OPERATING COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Item	Amount
Beginning finished goods	\$ 322,515
Add: Finished goods purchased	158,335
Less: Transferred to work in progress	(218,586)
Loss on physical inventory	(31)
Transferred to expenses	(48,364)
Scrapped	(820)
Others	(1,375)
Ending finished goods	(338,990)
Cost of production sold	3,063,051
Loss on scrapped inventories	1,511
Provision for inventory market price decline	37,702
Gain on physical inventories	(5,061)
Sales from sale of scraps	(753)
Operating costs	<u>\$ 3,096,450</u>

QUALIPOLY CHEMICAL CORP.
STATEMENT OF MANUFACTURING OVERHEAD
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Environmental protection expenses		\$ 108,646	—
Wages and salaries	—	66,028	—
Fuel expense	—	47,366	—
Depreciation	—	43,123	—
Consumables		40,220	—
Utilities	—	34,489	—
Others (individually less than 5%)	—	32,868	—
		<u>\$ 372,740</u>	

QUALIPOLY CHEMICAL CORP.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Export expenses	—	\$ 107,183	—
Wages and salaries	—	57,590	—
Freight	—	14,318	—
Commissions expense	—	13,088	—
Others (individually less than 5%)	—	<u>34,162</u>	—
		<u>\$ 226,341</u>	

QUALIPOLY CHEMICAL CORP.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	—	\$ 51,268	—
Insurance expense	—	8,785	—
Depreciation	—	7,091	—
Services fees	—	5,871	—
Others (individually less than 5%)	—	<u>22,580</u>	—
		<u>\$ 95,595</u>	

QUALIPOLY CHEMICAL CORP.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	—	\$ 34,800	—
Product development fees	—	5,067	—
Insurance expense	—	2,919	—
Others (individually less than 5%)	—	10,587	—
		<u>\$ 53,373</u>	

QUALIPOLY CHEMICAL CORP.
STATEMENT OF OTHER GAINS AND LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(22) for details of other gains and losses.

QUALIPOLY CHEMICAL CORP.
STATEMENT OF OTHER GAINS AND LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(24) for details of expenses by nature and Note 6(25) for details of employee benefit expense.

Qualipoly Chemical Corp.

Provision of endorsements and guarantees to others

For the year ended December 31, 2022

Table 1

Expressed in thousands of NTD

										<u>Ratio of accumulated</u>		<u>Provision of</u>		<u>Provision of</u>		<u>Provision of</u>								
										<u>endorsement/ guarantee</u>		<u>Ceiling on total amount of</u>		<u>endorsements/</u>		<u>endorsements/</u>		<u>endorsements/</u>						
				<u>Maximum outstanding</u>						<u>Amount of endorsements/</u>		<u>amount to net asset</u>		<u>endorsements/ guarantees</u>		<u>guarantees by parent</u>		<u>guarantees by</u>		<u>guarantees to the</u>				
				<u>Endorsement for a single</u>		<u>endorsement/ guarantee</u>		<u>Outstanding endorsement/</u>		<u>Actual amount drawn</u>		<u>guarantees secured with</u>		<u>value of the endorser/</u>		<u>provided</u>		<u>company to</u>		<u>subsidiary to</u>		<u>party in Mainland</u>		
				<u>Endorses/Guaranteed</u>		<u>amount</u>		<u>guarantee amount</u>		<u>down</u>		<u>collateral</u>		<u>guarantor company</u>		<u>(Note 1)</u>		<u>subsidiary</u>		<u>parent company</u>		<u>China</u>		<u>Footnote</u>
<u>Number</u>	<u>Endorser/guarantor</u>	<u>Company name</u>	<u>Relationship</u>																					
0	Qualipoly Chemical Corp.	Qualipoly Technology (Guang Dong) Corp.	Subsidiaries	\$	2,905,785	\$	87,998	\$	46,065	\$	-	\$	-	1.59%	\$	2,905,785	Y	N	Y					—
		Qualipoly Technology (Kun Shan) Corp.	Subsidiaries		2,905,785		48,323		46,065		16,751		-	1.59%		2,905,785	Y	N	Y					—

Qualipoly Chemical Corp.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)December 31, 2022

Table 2

Expressed in thousands of NTD

					As of December 31, 2022			Footnote
		<u>Relationship with</u>		<u>No. of shares</u>				
		<u>the securities</u>		<u>(in thousands of</u>				
<u>Securities held by</u>	<u>Marketable securities</u>	<u>issuer</u>	<u>General ledger account</u>	<u>units or shares)</u>	<u>Book value</u>	<u>Ownership</u>	<u>Fair value</u>	
Qualipoly Chemical Corp.	Stocks:							
	Geneferm Biotechnology Co., Ltd.	—	Financial assets at fair value through profit or loss - current	151	\$ 10,074	0.363%	\$ 10,074	—
	Nan Ya Plastics Corp.	—	Financial assets at fair value through profit or loss - current	100	7,100	0.001%	7,100	—
	ELECTRONINKS INCORPORATED		Financial assets at fair value through other comprehensive income - non-current	1,044	56,840	2.83%	56,840	
Qualipoly	Stocks:							
International Inc.	Tianjin Yabang Chemical Co.,Ltd.	—	Financial assets at fair value through profit or loss - non-current	-	15,587	19.00%	15,587	—
Chao Chien	Stocks:							
International Inc.	Zhangzhou Yabang Chemical Co.,Ltd.	—	Financial assets at fair value through profit or loss - non-current	-	72,374	19.00%	70,413	—
	Zhangzhou Newsolar Technology Co.,Ltd	—	Financial assets at fair value through profit or loss - non-current	-	44,278	9.09%	51,032	—

Qualipoly Chemical Corp.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD

			<u>Transaction</u>		<u>Differences in transaction terms compared to third party transactions</u>				<u>Notes/accounts receivable (payable)</u>		<u>Footnote</u>
			<u>Purchases</u>	<u>Percentage of total</u>						<u>Percentage of total</u>	
<u>Purchaser/seller</u>	<u>Counterparty</u>	<u>Relationship with the</u>	<u>(sales)</u>	<u>Amount</u>	<u>purchases (sales)</u>	<u>Credit term</u>	<u>Unit Price</u>	<u>Credit term</u>	<u>Balance</u>	<u>notes/accounts</u>	
		<u>counterparty</u>								<u>receivable (payable)</u>	
Qualipoly Chemical Corp.	Qualipoly Technology (Kunshan) Corp.	Subsidiaries	Sale	(\$ 214,306)	(6%)	Collect in 90 days	\$ -	-	\$ 22,346	4%	—
						after monthly					
						billings					

(Note) As the amounts and counterparties of significant inter-company transactions are the same from the opposite transaction sides, no disclosure is required.

Qualipoly Chemical Corp.

Significant inter-company transactions during the reporting period

For the year ended December 31, 2022

Table 4

Expressed in thousands of NTD

<u>Number (Note 2)</u>	<u>Company name</u>	<u>Counterparty</u>	<u>Relationship (Note 3)</u>	<u>Items</u>	<u>Amount</u>	<u>Transaction</u>	<u>Percentage of consolidated</u>
						<u>Transaction terms</u>	<u>total operating revenues or</u> <u>total assets (Note 4)</u>
0	Qualipoly Chemical Corp.	Qualipoly Technology (Kunshan) Corp.	1	Sales	\$ 214,306	Collect in 90 days after monthly billings	5%
				Accounts receivable	22,346	—	—
		Qualipoly Technology (Guangdong) Corp.	1	Sales	49,101	Collect in 90 days after monthly billings	1%
		Dongguan Chao You New Material Co., Ltd	1	Sales	21,918	Collect in 120 days after monthly billings	1%

(Note 1) As the amounts and counterparties of significant inter-company transactions are the same from the opposite transaction sides, no disclosure is required. Only transactions amounting to more than \$10,000 are disclosed.

(Note 2) The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

(Note 3) Relationship between transaction company and counterparty is classified into the following three categories.

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

(Note 4) Regarding percentage of transaction amount to total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenue for income statement accounts.

(Note 5) Foreign currencies are translated into New Taiwan Dollars with exchange rate as of December 31, 2022 as follows: USD NTD 1:30.71; RMB : NTD 1:4.408).

Qualipoly Chemical Corp. Information on investees For the year ended December 31, 2022											
Table 5				Expressed in thousands of NTD							
				Initial investment amount		Shares held as of December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized for the year ended December 31, 2022	Footnote
Investor	Investee	Location	Main business activities	Balance at December 31, 2022	Balance at December 31, 2021	Number of shares	Ownership (%)	Book value			
Qualipoly Chemical Corp.	Qualipoly International Inc.	Samoa	General investment and international trading business	\$ 268,098	\$ 268,098	8,730,000	100.00	\$ 401,835	\$ 6,830	\$ 6,647	Subsidiaries
Qualipoly Chemical Corp.	Chao Chien International Inc.	Samoa	General investment and international trading business	66,610	66,610	2,169,000	100.00	255,662	(8,390)	(8,904)	Subsidiaries
Qualipoly International Inc.	Chaoyang International Inc.	Samoa	General investment and international trading business	301,134	301,134	9,805,738	100.00	391,645	12,929	-	Subsidiaries (Note 1)

(Note 1) According to the related regulations, it is not required to disclose income (loss) recognized during the year.

(Note 2) Foreign currencies are translated into New Taiwan dollars with exchange rates as of December 31, 2022 as follows: USD: NTD 1: 30.71.

Qualipoly Chemical Corp.
Information on investments in Mainland China
For the year ended December 31, 2022

Table 6
Expressed in thousands of NTD

Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022													
			Accumulated amount of remittance from Taiwan to Mainland China at January 1, 2022		Accumulated amount of remittance from Taiwan to Mainland China at December 31, 2022		Net income of investee for the year ended December 31, 2022		Investment income (loss) recognized by the Company for the year ended December 31, 2022		Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022		
Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Mainland China at January 1, 2022	Remitted to Mainland China	Remitted back to Taiwan	to Mainland China at December 31, 2022	for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)				Footnote
Qualipoly Technology (Kunshan) Corp.	Sales of chemical raw materials, UV curable materials, unsaturated polyester resins (UP resins) and coating resin	\$ 76,775	(Note 1)	\$ 76,775	\$ -	\$ -	76,775	\$ 6,441	100.00	\$ 6,441	\$ 134,540	\$ -	(Note 4)
Qualipoly Technology (Guangdong) Corp.	Manufacture and sales of unsaturated polyester resin, alkyd resin and aminoalkyd resin	199,615	(Note 2)	289,326	-	-	289,326	12,547	100.00	12,547	391,636	51,789	(Note 4)
Qualipoly Technology (Shanghai) Corp.	Sales of chemical raw materials, UV curable materials, unsaturated polyester resins (UP resins) and coating resin	13,242	(Note 1)	-	-	-	-	(1,096)	100.00	(1,096)	9,855	-	(Note 4)
Dongguan Chao You New Material Co., Ltd	Sales of chemical raw materials, UV curable materials, unsaturated polyester resins (UP resins) and coating resin	15,449	(Note 2)	-	-	-	-	1,459	100.00	1,459	25,423	-	(Note 4)
Tianjin Yabang Chemical Co.,Ltd.	Manufacture and sales of unsaturated polyester resin, alkyd resin and aminoalkyd resin	88,280	(Note 3)	14,096	-	-	14,096	-	19.00	-	15,587	-	-
Zhangzhou Yabang Chemical Co.,Ltd.	Manufacture and sales of unsaturated polyester resin, alkyd resin and aminoalkyd resin	171,963	(Note 1)	20,422	-	-	20,422	-	19.00	-	72,374	155,338	-

				<u>Amount remitted from Taiwan to Mainland</u>			<u>Investment income</u>			<u>Accumulated amount of</u>		<u>Footnote</u>						
				<u>Accumulated amount of</u>	<u>China/Amount remitted back to Taiwan for</u>	<u>Accumulated amount of</u>	<u>Net income of</u>	<u>(loss) recognized by the</u>	<u>investment income</u>									
										<u>remittance from Taiwan to</u>	<u>the year ended December 31, 2022</u>		<u>remittance from Taiwan to</u>	<u>investee for the year</u>	<u>Ownership held by the</u>	<u>Company for the year</u>	<u>Book value of investments in</u>	<u>remitted back to Taiwan</u>
<u>Investee in Mainland China</u>	<u>Main business activities</u>	<u>Paid-in capital</u>	<u>Investment method</u>	<u>January 1, 2022</u>	<u>China</u>	<u>Taiwan</u>	<u>December 31, 2022</u>	<u>2022</u>	<u>indirect)</u>	<u>2022</u>	<u>31, 2022</u>	<u>2022</u>						
Zhangzhou Newsolar Technology Co.,Ltd	Manufacture and sales of unsaturated polyester resin, alkyd resin and aminoalkyd resin	485,541	(Note 1)	44,278	-	-	44,278	-	9.09	-	44,278	-	-					

<u>Investment amount</u>			
<u>approved by the Investment</u>			
<u>Company name</u>	<u>Accumulated amount of remittance</u>	<u>Commission of the Ministry</u>	<u>Ceiling on investments in Mainland</u>
	<u>from Taiwan to Mainland China at</u>	<u>of Economic Affairs</u>	<u>China imposed by the Investment</u>
	<u>December 31, 2022</u>	<u>(MOEA)</u>	<u>Commission of MOEA (Note 5)</u>
Qualipoly Chemical Corp.	\$ 444,897	\$ 460,203	\$ 1,743,471

(Note 1) Through an existing company (Chao Chien International Inc.) located in the third area, invest in the investee in Mainland China.

(Note 2) Formerly held by the Qualipoly International Inc., which was established in the third area, however, because of the adjustment of investment structure from September 2006, the Company reinvested in the investee in Mainland China by investing and establishing Chaoyang International Inc. in the third area through Qualipoly International Inc.

(Note 3) Through an existing company (Qualipoly International Inc.) located in the third area, invest in the investee in Mainland China.

(Note 4) The Company recognized income (loss) based on the audited financial statements.

(Note 5) The ceiling amount is 60% of the parent company only net worth or consolidated net worth (whichever is higher).

(Note 6) Foreign currencies are translated into New Taiwan dollars with exchange rates as of December 31, 2022 as follows: USD: NTD 1: 30.71.

Qualipoly Chemical Corp.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2022

Table 7

Expressed in thousands of NTD

<u>Investee in Mainland China</u>	<u>Sale (purchase)</u>		<u>Property transaction</u>		<u>Accounts receivable (payable)</u>		<u>Provision of endorsements/guarantees or collaterals</u>		<u>Financing</u>		<u>Others</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Balance at December</u>		<u>Balance at December 31,</u>		<u>Maximum balance</u>		<u>Interest during the year ended</u>	
					<u>31, 2022</u>	<u>%</u>	<u>2022</u>	<u>Purpose</u>	<u>during the year ended</u>	<u>Balance at</u>	<u>Interest rate</u>	<u>December 31, 2022</u>
									<u>December 31, 2022</u>	<u>December 31, 2022</u>		<u>December 31, 2022</u>
Qualipoly Technology (Kunshan) Corp.	\$ 214,306	6%	\$ -	-	\$ 22,346	4%	\$ 46,065	-	\$ -	\$ -	-	\$ -
Qualipoly Technology (Guangdong) Corp.	49,101	1%	-	-	8,737	2%	46,065	-	-	-	-	-
Dongguan Chao You New Material Co., Ltd	21,918	1%	-	-	8,845	2%	-	-	-	-	-	-
Qualipoly Technology (Shanghai) Corp.	1,095	—	-	-	1,098	—	-	-	-	-	-	-

Qualipoly Chemical Corp.
Major shareholders information

December 31, 2022

Table 8

Unit: shares

		<u>Shares</u>			
	<u>Name of major shareholders</u>	<u>Number of shares held</u>	<u>Ownership (%)</u>	<u>Footnote</u>	
Chao Chien	Investment Inc.	9,759,757	9.75%	—	

Note: The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.

Qualipoly Chemical Corp.

Chairman : Tsai, Yeou-Liang