

**QUALIPOLY CHEMICAL CORP.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND INDEPENDENT AUDITORS’**  
**REPORT**  
**DECEMBER 31, 2023 AND 2022**

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For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

## 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, 2023 and 2022, 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 material 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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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 2023 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 2023 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(9) for accounting policies on impairment of financial assets, 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, 2023, the carrying amounts of notes and accounts receivable and allowance for uncollectible accounts (excluding related parties) were NT\$744,320 thousand and NT\$21,064 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 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(8) 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, 2023, the carrying amount of inventories and allowance for inventory valuation losses were NT\$724,939 thousand and NT\$46,199 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 involves 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:

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 Company's policies.
4. 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:

1. 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.
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 Company'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 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.
5. 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.
6. 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 8, 2024

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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, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2023		December 31, 2022		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 163,493	4	\$ 372,719	8
1110	Financial assets at fair value through profit or loss - current	6(2)	7,010	-	17,174	-
1150	Notes receivable, net	5(2) and 6(3)	65,925	1	65,619	2
1170	Accounts receivable, net	5(2) and 6(3)	657,331	14	501,934	11
1180	Accounts receivable - related parties	6(3) and 7	34,205	1	41,026	1
1200	Other receivables		15,897	-	6,713	-
130X	Inventory	5(2) and 6(4)	678,740	15	848,118	19
1410	Prepayments		75,860	2	45,884	1
1479	Other current assets		5,309	-	3,441	-
11XX	<b>Total current assets</b>		<u>1,703,770</u>	<u>37</u>	<u>1,902,628</u>	<u>42</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income - non-current	6(5)	56,840	1	56,840	1
1550	Investments accounted for under equity method	6(6)	570,519	13	657,497	15
1600	Property, plant and equipment	6(7) and 8	1,474,557	32	1,485,519	33
1755	Right-of-use assets	6(8)	1,392	-	2,088	-
1780	Intangible assets	6(9)	2,917	-	1,600	-
1840	Deferred income tax assets	6(26)	35,140	1	37,916	1
1915	Prepayments for equipment	6(7)	683,226	15	272,903	6
1920	Guarantee deposits paid	6(7)	57,532	1	57,532	2
1975	Net defined benefit asset, non-current	6(14)	185	-	191	-
1990	Other non-current assets		1,401	-	1,620	-
15XX	<b>Total non-current assets</b>		<u>2,883,709</u>	<u>63</u>	<u>2,573,706</u>	<u>58</u>
1XXX	<b>Total assets</b>		<u>\$ 4,587,479</u>	<u>100</u>	<u>\$ 4,476,334</u>	<u>100</u>

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QUALIPOLY CHEMICAL CORP.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10) and 8	\$ 121,621	3	\$ 95,840	2
2110	Short-term notes and bills payable	6(11)	470	-	1,036	-
2150	Notes payable		138,316	3	106,227	3
2170	Accounts payable		242,888	5	145,688	3
2200	Other payables	6(12)	119,000	3	234,774	5
2230	Current income tax liabilities	6(26)	57,927	1	95,135	2
2280	Lease liabilities - current	6(8)	704	-	696	-
2320	Long-term liabilities, current portion	6(13) and 8	80,000	2	90,000	2
2399	Other current liabilities	6(19)	6,795	-	4,539	-
21XX	<b>Total current liabilities</b>		<u>767,721</u>	<u>17</u>	<u>773,935</u>	<u>17</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(13) and 8	893,935	19	737,638	17
2570	Deferred income tax liabilities	6(26)	36,184	1	57,560	1
2580	Lease liabilities - non-current	6(8)	712	-	1,416	-
25XX	<b>Total non-current liabilities</b>		<u>930,831</u>	<u>20</u>	<u>796,614</u>	<u>18</u>
2XXX	<b>Total liabilities</b>		<u>1,698,552</u>	<u>37</u>	<u>1,570,549</u>	<u>35</u>
<b>Equity</b>						
Share capital						
3110	Common stock	6(15)	1,000,092	22	1,000,092	22
3200	Capital surplus	6(16)(17)	420,051	9	410,471	9
Retained earnings						
3310	Legal reserve	6(18)	412,729	9	381,218	9
3320	Special reserve		8,476	-	35,942	1
3350	Unappropriated retained earnings		1,059,495	23	1,086,538	24
3400	Other equity interest		(11,916)	-	(8,476)	-
3XXX	<b>Total equity</b>		<u>2,888,927</u>	<u>63</u>	<u>2,905,785</u>	<u>65</u>
Significant Contingent Liabilities and 7 and 9						
Unrecognized Contract Commitments						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 4,587,479</u>	<u>100</u>	<u>\$ 4,476,334</u>	<u>100</u>

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, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31			
		2023		2022	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(19) and 7	\$ 3,063,708	100	\$ 3,753,713	100
5000 Operating costs	6(4)(8)(9)(14)(24)(25) and 7	( 2,604,495)	( 85)	( 3,096,450)	( 83)
5900 Operating margin		459,213	15	657,263	17
5910 Unrealized profit from sales	6(6)	( 3,540)	-	( 9,052)	-
5920 Realized profit from sales	6(6)	9,052	-	23,005	1
5950 Net operating margin		464,725	15	671,216	18
Operating expenses	6(8)(9)(14)(16)(24)(25), 7 and 12				
6100 Selling expenses		( 162,660)	( 5)	( 226,341)	( 6)
6200 General and administrative expenses		( 94,092)	( 3)	( 95,595)	( 3)
6300 Research and development expenses		( 50,169)	( 1)	( 53,373)	( 1)
6450 Expected credit gains		7,260	-	6,000	-
6000 Total operating expenses		( 299,661)	( 9)	( 369,309)	( 10)
6900 Operating profit		165,064	6	301,907	8
Non-operating income and expenses					
7100 Interest income	6(20)	1,414	-	364	-
7010 Other income	6(21)	21,467	1	5,056	-
7020 Other gains and losses	6(2)(22)	5,520	-	90,612	2
7050 Finance costs	6(7)(8)(23)	( 10,248)	( 1)	( 11,157)	-
7070 Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method, net	6(6)	24,320	1	( 2,257)	-
7000 Total non-operating income and expenses		42,473	1	82,618	2
7900 Profit before income tax		207,537	7	384,525	10
7950 Income tax expense	6(26)	( 40,511)	( 2)	( 69,482)	( 2)
8200 Profit for the year		\$ 167,026	5	\$ 315,043	8
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Actuarial (loss) gain on defined benefit plan	6(14)	( \$ 9)	-	\$ 91	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	2	-	( 18)	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations	6(6)	( 4,300)	-	34,332	1
8399 Income tax relating to the components of other comprehensive income	6(26)	860	-	( 6,866)	-
8300 Other comprehensive (loss) income for the year		( \$ 3,447)	-	\$ 27,539	1
8500 Total comprehensive income for the year		\$ 163,579	5	\$ 342,582	9
Earnings per share (in dollars)	6(27)				
9750 Basic		\$ 1.67		\$ 3.15	
9850 Diluted		\$ 1.67		\$ 3.14	

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, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital Reserves				Retained Earnings			Other Equity Interest	Total
		Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Employee stock options	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	
<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	6(18)	-	-	-	-	-	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
<u>For the year ended December 31, 2023</u>										
Balance at January 1, 2023		\$ 1,000,092	\$ 386,806	\$ 23,371	\$ 294	\$ 381,218	\$ 35,942	\$ 1,086,538	(\$ 8,476)	\$ 2,905,785
Profit for the year		-	-	-	-	-	-	167,026	-	167,026
Other comprehensive loss for the year		-	-	-	-	-	-	( 7 )	( 3,440 )	( 3,447 )
Total comprehensive income (loss)		-	-	-	-	-	-	167,019	( 3,440 )	163,579
Distribution of 2022 earnings:										
Legal reserve		-	-	-	-	31,511	-	( 31,511 )	-	-
Special reserve	6(18)	-	-	-	-	-	( 27,466 )	27,466	-	-
Cash dividends	6(18)	-	-	-	-	-	-	( 190,017 )	-	( 190,017 )
Compensation cost recognized in employee stock options	6(16)(25)	-	-	-	9,580	-	-	-	-	9,580
Balance at December 31, 2023		\$ 1,000,092	\$ 386,806	\$ 23,371	\$ 9,874	\$ 412,729	\$ 8,476	\$ 1,059,495	(\$ 11,916)	\$ 2,888,927

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, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2023	2022
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 207,537	\$ 384,525
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on financial assets at fair value through profit or loss	6(2)(22)	( 2,621 )	( 6,121 )
Expected credit gain	12	( 7,260 )	( 6,000 )
(Reversal of allowance) provision for inventory market price decline	6(4)	( 27,902 )	37,702
Share of (profit) loss of subsidiaries, associates and joint ventures accounted for under equity method	6(6)	( 24,320 )	2,257
Depreciation	6(7)(8)(24)	58,991	53,865
(Gain) loss on disposal of property, plant and equipment	6(22)	( 118 )	23
Amortization	6(9)(24)	1,708	3,359
Prepayments for equipment transferred to expense	6(28)	266	-
Unrealized profit from sales	6(6)	3,540	9,052
Realized profit from sales	6(6)	( 9,052 )	( 23,005 )
Interest income	6(20)	( 1,414 )	( 364 )
Dividend income	6(21)	( 300 )	( 1,121 )
Exchange (gain) loss	6(29)	( 717 )	4
Finance costs	6(23)	10,248	11,157
Compensation cost recognized in employee stock options	6(16)(25)	9,580	294
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		12,785	13,922
Notes receivable		( 306 )	20,701
Accounts receivable		( 148,137 )	405,995
Accounts receivable - related parties		6,821	120,043
Other receivables		( 6,656 )	6,496
Inventories		197,280	( 79,264 )
Prepayments		( 29,976 )	14,078
Other current assets		( 1,868 )	( 189 )
Net defined benefit asset - non-current		( 3 )	( 1 )
Changes in operating liabilities			
Notes payable		32,089	( 111,225 )
Accounts payable		97,200	( 77,892 )
Other payables		( 116,023 )	( 49,730 )
Other current liabilities		2,256	( 8,335 )
Cash inflow generated from operations		263,628	720,226
Interest received		1,414	364
Dividends received		112,810	53,175
Interest paid		( 9,999 )	( 10,992 )
Income tax paid		( 95,457 )	( 91,765 )
Net cash flows from operating activities		<u>272,396</u>	<u>671,008</u>

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QUALIPOLY CHEMICAL CORP.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in financial assets at amortized cost - current		\$ -	\$ 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		1,664	125
Acquisition of intangible assets	6(9)	( 3,025 )	( 185 )
Increase in prepayments for equipment		( 455,162 )	( 371,554 )
Interest paid for prepayments for equipment	6(7)(23)	( 6,834 )	( 1,028 )
Decrease in guarantee deposits paid		-	7,970
Decrease in other non-current assets		219	232
Net cash flows used in investing activities		( 463,138 )	( 375,445 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings	6(29)	26,498	( 174,843 )
Decrease in short-term notes and bills	6(29)	( 566 )	( 1,520 )
Payments for lease liabilities	6(29)	( 696 )	( 688 )
Increase in long-term borrowings	6(29)	416,297	260,138
Decrease in long-term borrowings	6(29)	( 270,000 )	( 2,500 )
Payments for cash dividends	6(18)	( 190,017 )	( 220,020 )
Net cash flows used in financing activities		( 18,484 )	( 139,433 )
Net (decrease) increase in cash and cash equivalents		( 209,226 )	156,130
Cash and cash equivalents at beginning of year	6(1)	372,719	216,589
Cash and cash equivalents at end of year	6(1)	\$ 163,493	\$ 372,719

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, 2023 AND 2022

(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 of 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 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 8, 2024.

3. Application of new Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS<sup>®</sup>”) Accounting 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 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board (“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
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 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.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	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.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards 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
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 21, 'Lack of exchangeability'	January 1, 2025

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 Material 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<sup>®</sup> Interpretations, and SIC<sup>®</sup> 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 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) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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

(13) 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:
- (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.

(14) Intangible assets

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

(15) 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.

(16) 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.

(17) 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.

(18) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged

or cancelled or expires.

(19) 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.

(20) 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 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.

(21) 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 and does not give rise to equal taxable and deductible temporary differences. 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.

(22) 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.

(23) 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.

(24) 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, 2023, the carrying amount of notes and accounts receivable (excluding related parties) was \$723,256.

**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, 2023, the carrying amount of inventories was \$678,740.

## 6. Details of Significant Accounts

### (1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash:		
Cash on hand and revolving funds	\$ 423	\$ 664
Checking accounts and demand deposits	<u>163,070</u>	<u>372,055</u>
	<u>\$ 163,493</u>	<u>\$ 372,719</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, 2023 and 2022, 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>Assets</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 8,976	\$ 14,400
Forward foreign exchange	<u>360</u>	<u>-</u>
	9,336	14,400
Valuation adjustment	<u>(2,326)</u>	<u>2,774</u>
	<u>\$ 7,010</u>	<u>\$ 17,174</u>

A. The Company recognized net gains amounting to \$2,621 and \$6,121 (listed as ‘Other gains and losses’) on financial assets at fair value through profit or loss for the years ended December 31, 2023 and 2022, respectively.

B. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

<u>Derivative financial assets</u>	<u>December 31, 2023</u>	
	<u>Contract amount</u> (in thousands)	<u>Contract period</u>
Current items:		
Forward foreign exchange contracts	USD 500	12.2023~2.2024

There was no such situation as of December 31, 2022.

The Company entered into forward foreign exchange contracts, to hedge exchange risks arising from exchange rate changes in operating activities. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. As of December 31, 2023 and 2022, the Company has no financial assets at fair value through profit or loss pledged to others as collateral.

D. 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, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 65,925	\$ 65,619
Accounts receivable	\$ 678,395	\$ 530,258
Less: Allowance for uncollectible accounts	( 21,064)	( 28,324)
	<u>\$ 657,331</u>	<u>\$ 501,934</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable:		
Within the credit period	<u>\$ 65,925</u>	<u>\$ 65,619</u>
Accounts receivable:		
Within the credit period	\$ 663,649	\$ 505,336
Overdue 1 to 30 days	35,898	48,877
Overdue 31 to 90 days	2,528	12,391
Overdue 91 to 150 days	2,977	-
Overdue over 151 days	7,548	4,680
	<u>\$ 712,600</u>	<u>\$ 571,284</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, notes and accounts receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables (including related parties) from contracts with customers amounted to \$1,184,087.

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, 2023 and 2022, 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, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 335,074	(\$ 21,365)	\$ 313,709
Supplies	17,441	( 290)	17,151
Work in progress	83,248	( 9,601)	73,647
Finished goods	289,176	( 14,943)	274,233
	<u>\$ 724,939</u>	<u>(\$ 46,199)</u>	<u>\$ 678,740</u>

  

	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>

The cost of inventories recognized as expense for the year:

	For the years ended December 31,	
	2023	2022
Cost of goods sold	\$ 2,640,387	\$ 3,063,051
Loss on scrapped inventories	2,071	1,511
(Reversal of allowance) provision for inventory market price decline (Note)	( 27,902)	37,702
Gain on physical inventories	( 9,019)	( 5,061)
Sales from sales of scraps	( 1,042)	( 753)
	<u>\$ 2,604,495</u>	<u>\$ 3,096,450</u>

(Note) For the year ended December 31, 2023, 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

Assets	December 31, 2023	December 31, 2022
Equity instruments		
Unlisted stocks	<u>\$ 56,840</u>	<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. As of December 31, 2023 and 2022, the fair value of these investments is approximately the book value.
- C. As of December 31, 2023 and 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, 2023 and 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'.

(6) Investments accounted for under equity method

	For the years ended December 31,	
	2023	2022
At January 1	\$ 657,497	\$ 663,523
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	24,320 (	2,257)
Unrealized profit from sales, net	( 3,540) (	9,052)
Realized profit from sales, net	9,052	23,005
Cash dividends from investments accounted for under equity method	( 112,510) (	52,054)
Other equity - Exchange differences on translation of foreign financial statements	( 4,300)	34,332
At December 31	<u>\$ 570,519</u>	<u>\$ 657,497</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	<u>\$ 570,519</u>	<u>\$ 657,497</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, 2023 and 2022, 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, 2023</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>For the year ended December 31, 2023</u>							
At January 1	\$ 954,398	\$ 201,961	\$ 262,056	\$ 28,323	\$ 1,977	\$ 36,804	\$ 1,485,519
Transfers from prepayments for equipment	-	13,498	17,039	5,450	565	12,327	48,879
Depreciation	-	( 10,936)	( 35,250)	( 5,295)	( 442)	( 6,372)	( 58,295)
Disposals - cost	-	-	( 479)	-	-	( 2,506)	( 2,985)
- accumulated depreciation	-	-	443	-	-	996	1,439
At December 31	<u>\$ 954,398</u>	<u>\$ 204,523</u>	<u>\$ 243,809</u>	<u>\$ 28,478</u>	<u>\$ 2,100</u>	<u>\$ 41,249</u>	<u>\$ 1,474,557</u>
<u>December 31, 2023</u>							
Cost	\$ 954,398	\$ 332,898	\$ 763,661	\$ 91,195	\$ 6,391	\$ 148,943	\$ 2,297,486
Accumulated depreciation	-	( 128,375)	( 519,852)	( 62,717)	( 4,291)	( 107,694)	( 822,929)
	<u>\$ 954,398</u>	<u>\$ 204,523</u>	<u>\$ 243,809</u>	<u>\$ 28,478</u>	<u>\$ 2,100</u>	<u>\$ 41,249</u>	<u>\$ 1,474,557</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, 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>

A. As of December 31, 2023 and 2022, 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,	
	2023	2022
Amount capitalized	\$ 6,834	\$ 1,028
Interest rate	1.00%~1.80%	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. As of December 31, 2023 and 2022, 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, 2023	December 31, 2022
	Carrying amount	Carrying amount
Buildings	\$ 1,392	\$ 2,088
	For the years ended December 31,	
	2023	2022
	Depreciation	Depreciation
Buildings	\$ 696	\$ 696

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

	For the years ended December 31,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 24	\$ 32
Expense on short-term lease contracts	130	172
Expense on leases of low-value assets	369	347
	<u>\$ 523</u>	<u>\$ 551</u>

D. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were \$1,219 and \$1,239, respectively.

(9) Intangible assets

	For the years ended December 31,	
	2023	2022
<u>At January 1</u>		
Cost	\$ 32,618	\$ 32,433
Accumulated amortization	( 31,018)	( 27,659)
	<u>\$ 1,600</u>	<u>\$ 4,774</u>
At January 1	\$ 1,600	\$ 4,774
Additions — acquired separately	3,025	185
Amortization	( 1,708)	( 3,359)
At December 31	<u>\$ 2,917</u>	<u>\$ 1,600</u>
<u>At December 31</u>		
Cost	\$ 35,643	\$ 32,618
Accumulated amortization	( 32,726)	( 31,018)
	<u>\$ 2,917</u>	<u>\$ 1,600</u>

A. No interest was capitalized for the years ended December 31, 2023 and 2022.

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

	For the years ended December 31,	
	2023	2022
Operating cost	\$ 65	\$ -
Selling expenses	1,578	3,359
General and administrative expenses	65	-
	<u>\$ 1,708</u>	<u>\$ 3,359</u>

C. As of December 31, 2023 and 2022, the Company had no intangible assets pledged to others as collateral.

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured bank borrowings	\$ 71,621	1.65% ~ 6.28%	None
Secured bank borrowings	50,000	1.65%	Land and buildings
	<u>\$ 121,621</u>		

  

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured bank borrowings	\$ 82,289	1.60% ~ 5.52%	None
Secured bank borrowings	13,551	1.35%	Land and buildings
	<u>\$ 95,840</u>		

For more information on interest expenses recognized in profit or loss by the Company for the years ended December 31, 2023 and 2022, refer to Note 6(23), 'Financial costs'.

(11) Short-term notes and bills payable

<u>Type of borrowings</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Acceptance payable	<u>\$ 470</u>	—	None

  

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Acceptance payable	<u>\$ 1,036</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, 2023 and 2022, refer to Note 6(23), 'Financial costs'.

(12) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Payroll and bonus payable	\$ 64,775	\$ 85,937
Export expense payable	6,935	7,947
Remuneration for directors payable	5,625	10,625
Employees' compensation payable	2,812	5,313
Others	38,853	124,952
	<u>\$ 119,000</u>	<u>\$ 234,774</u>

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2023</u>
Long-term bank borrowings				
Secured borrowings	2021.9.9~2041.11.1	1.76%	Land and buildings	\$ 603,580
Unsecured borrowings	2022.3.23 ~ 2029.8.15	1.25%~1.65%	None	<u>370,355</u>
				973,935
Less: Current portion				( <u>80,000</u> )
				<u>\$ 893,935</u>

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
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	<u>194,058</u>
				827,638
Less: Current portion				( <u>90,000</u> )
				<u>\$ 737,638</u>

For more information on interest expenses recognized in profit or loss by the Company for the years ended December 31, 2023 and 2022, 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, 2024, the Company can suspend its contributions to the labor pension reserve fund. On August 7, 2020, August 4, 2021, July 21, 2022 and August 2, 2023, 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, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	(\$ 640)	(\$ 617)
Fair value of plan assets	<u>825</u>	<u>808</u>
Net defined benefit assets	<u>\$ 185</u>	<u>\$ 191</u>

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

	<u>For the year ended December 31, 2023</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	(\$ 617)	\$ 808	\$ 191
Interest (expense) income	<u>( 9)</u>	<u>12</u>	<u>3</u>
	<u>( 626)</u>	<u>820</u>	<u>194</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	5	5
Change in financial assumptions	<u>( 9)</u>	<u>-</u>	<u>( 9)</u>
Experience adjustments	<u>( 5)</u>	<u>-</u>	<u>( 5)</u>
	<u>( 14)</u>	<u>5</u>	<u>( 9)</u>
At December 31	<u>\$ 640</u>	<u>\$ 825</u>	<u>\$ 185</u>

	<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)	6	1
	<u>( 651)</u>	<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>

(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, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Discount rate	<u>1.375%</u>	<u>1.50%</u>
Future salary increases rate	<u>3.00%</u>	<u>3.00%</u>

Future mortality rate was estimated both based on the 6<sup>th</sup> Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2023 and 2022.

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, 2023</u>				
Effect on present value of defined benefit obligation	(\$ 19)	\$ 20	\$ 19	(\$ 19)
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 20)	\$ 21	\$ 20	(\$ 19)

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, 2024 amount to \$-.
- (f) As of December 31, 2023, the weighted average duration of the retirement plan is 12.1 years.

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

Within next 1 year	\$	-
Next 2~5 years		131
Next over 5 years		68
	\$	<u>199</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, 2023 and 2022 were \$10,444 and \$10,044, 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,	
	2023	2022
Beginning and ending balance	\$ 100,009	\$ 100,009

B. As of December 31, 2023, 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.

(16) Share-based payment

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 years ended December 31, 2023 and 2022, the Company's compensation cost due to employee stock options amounted to \$9,580 and \$294, respectively.

B. Details of the share-based payment arrangements are as follows:

Share option	For the year ended December 31, 2023	
	Quantity (units in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	3,000	\$ 34.00
Options forfeited	( 40)	-
Options abandoned	( 20)	-
Options outstanding at December 31	2,940	32.20
Options exercisable at December 31	-	-

Share option	For the year ended December 31, 2022	
	Quantity (units in thousands)	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)

(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 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 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 approval 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. The special surplus reserve (reversed) appropriated in 2023 and 2022 amounted to (\$27,466) and \$8,690, respectively. As of December 31, 2023, the outstanding balance of the above special surplus reserve was \$8,476.

D. On March 9, 2023 and May 30, 2022, the shareholders during their meeting resolved the distribution of cash dividends from 2022 and 2021 earnings in the amounts of \$190,017 (\$1.9 (in dollars) (per share) and \$220,020 (\$2.2 (in dollars) per share), respectively. On March 8, 2024, the Board of Directors resolved the distribution of cash dividends of \$100,009 (\$1.0 (in dollars) (per share) from 2023 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:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Synthetic resin	\$ 2,958,999	\$ 3,653,780
Others	104,709	99,933
	<u>\$ 3,063,708</u>	<u>\$ 3,753,713</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities - current (listed as 'Other current liabilities')	\$ 3,470	\$ 1,538	\$ 10,121

Revenue recognized that was included in the contract liabilities at the beginning of the year were \$956 and \$10,000 for the years ended December 31, 2023 and 2022, respectively.

(20) Interest income

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Bank deposits	\$ 1,414	\$ 364

(21) Other income

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Rental income	\$ 2,940	\$ 24
Dividend income	300	1,121
Other income	18,227	3,911
	<u>\$ 21,467</u>	<u>\$ 5,056</u>

(22) Other gains and losses

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Gains on financial assets at fair value through profit or loss	\$ 2,621	\$ 6,121
Net foreign exchange gains	2,781	84,514
Gains (losses) on disposal of property, plant and equipment	118	( 23)
	<u>\$ 5,520</u>	<u>\$ 90,612</u>

(23) Finance costs

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest expense:		
Bank borrowings	\$ 17,058	\$ 12,153
Lease liabilities	24	32
	17,082	12,185
Less: Capitalization of qualifying assets	( 6,834)	( 1,028)
	<u>\$ 10,248</u>	<u>\$ 11,157</u>

(24) Expenses by nature

	For the year ended December 31, 2023		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense	\$ 166,831	\$ 143,667	\$ 310,498
Depreciation	47,385	11,606	58,991
Amortization	65	1,643	1,708
	<u>\$ 214,281</u>	<u>\$ 156,916</u>	<u>\$ 371,197</u>

	For the year ended December 31, 2022		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
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>

(25) Employee benefit expense

	For the year ended December 31, 2023		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 139,010	\$ 103,470	\$ 242,480
Employees' compensation	-	9,580	9,580
Labour and health insurance fees	14,248	10,281	24,529
Pension costs	5,900	4,541	10,441
Directors' remuneration	-	8,011	8,011
Other personnel expenses	7,673	7,784	15,457
	<u>\$ 166,831</u>	<u>\$ 143,667</u>	<u>\$ 310,498</u>

	For the year ended December 31, 2022		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
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>

A. As of December 31, 2023 and 2022, the average number of employees were 322 and 316 employees, respectively, which included 5 non-employee directors for both years.

B. For the years ended December 31, 2023 and 2022, the average employee benefits were \$954 and \$1,035, respectively, while average wages and salaries were \$795 and \$880, respectively. The average wages and salaries decreased by 9.66% 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, 2023 and 2022, employees' compensation was accrued at \$2,812 and \$5,313, respectively; while directors' remuneration was accrued at \$5,625 and \$10,625, 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 2022 as resolved by the Board of directors were \$5,313 and \$10,625, respectively, which were the same with the amounts recognized in the financial statements for the year ended December 31, 2022. On March 8, 2024, the employees' compensation and directors' remuneration for 2023 as resolved by the Board of Directors were \$2,812 and \$5,625, 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,	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 59,341	\$ 90,041
Tax on undistributed surplus earnings	6,053	5,115
Prior year income tax over estimation	( 7,145)	( 2,499)
	<u>58,249</u>	<u>92,657</u>
Deferred tax:		
Origination and reversal of temporary differences	( 17,738)	( 23,175)
Income tax expense	<u>\$ 40,511</u>	<u>\$ 69,482</u>

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

	For the years ended December 31,	
	2023	2022
Remeasurements of defined benefit obligations	(\$ 2)	\$ 18
Currency translation differences	( 860)	6,866
	<u>(\$ 862)</u>	<u>\$ 6,884</u>

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

	For the years ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 41,507	\$ 76,905
Effects from items disallowed by tax regulation	96	( 10,039)
Tax on undistributed surplus earnings	6,053	5,115
Prior year income tax over estimation	( 7,145)	( 2,499)
Income tax expense	<u>\$ 40,511</u>	<u>\$ 69,482</u>

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

For the year ended December 31, 2023				
	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	(\$ 1,647)	\$ -	\$ 2,949
Loss on inventories from market decline	14,820	( 5,580)	-	9,240
Pensions	12,809	-	2	12,811
Book tax difference in the timing of revenue recognition	-	2,014	-	2,014
Unrealized exchange loss	-	2,611	-	2,611
Currency translation differences	2,004	-	860	2,864
Others	3,687	( 1,036)	-	2,651
	<u>\$ 37,916</u>	<u>(\$ 3,638)</u>	<u>\$ 862</u>	<u>\$ 35,140</u>
Deferred income tax liabilities				
Temporary differences:				
Share of other comprehensive income accounted for under equity method	(\$ 7,900)	\$ -	\$ -	(\$ 7,900)
Investment income	( 35,282)	19,964	-	( 15,318)
Pensions	( 12,894)	-	-	( 12,894)
Book tax difference in the timing of revenue recognition	( 1,009)	1,009	-	-
Gain on unrealized evaluation of financial assets	-	( 72)	-	( 72)
Unrealized exchange gain	( 475)	475	-	-
	<u>(\$ 57,560)</u>	<u>\$ 21,376</u>	<u>\$ -</u>	<u>(\$ 36,184)</u>
	<u>(\$ 19,644)</u>	<u>\$ 17,738</u>	<u>\$ 862</u>	<u>(\$ 1,044)</u>

For the year ended December 31, 2022

	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
<b>Deferred income tax assets</b>				
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>
<b>Deferred income tax liabilities</b>				
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>

C. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. As of March 8, 2024, the Company was not involved in any administration lawsuit.



(28) Supplemental cash flow information

Operating and investing activities with no cash flow effects:

	For the years ended December 31,	
	2023	2022
A. Write-offs of allowance for uncollectible accounts	\$ -	\$ 445
B. Prepayments for equipment transferred to other receivables	\$ 2,528	\$ -
C. Prepayments for equipment transferred to property, plant and equipment	\$ 48,879	\$ 140,453
D. Prepayments for equipment transferred to expense	\$ 266	\$ -

(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, 2023	\$ 95,840	\$ 1,036	\$ 2,112	\$ 827,638	\$ 926,626
Changes in cash flow from financing	26,498	( 566)	( 696)	146,297	171,533
Changes in other non-cash items	( 717)	-	-	-	( 717)
December 31, 2023	<u>\$ 121,621</u>	<u>\$ 470</u>	<u>\$ 1,416</u>	<u>\$ 973,935</u>	<u>\$ 1,097,442</u>

	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	<u>\$ 95,840</u>	<u>\$ 1,036</u>	<u>\$ 2,112</u>	<u>\$ 827,638</u>	<u>\$ 926,626</u>

## 7. Related Party Transactions

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
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

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries	<u>\$ 251,641</u>	<u>\$ 286,420</u>

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 120 days after monthly billings and T/T, except Qualipoly Technology (Guangdong) Corp. which were 90 days after monthly billings.

#### B. Receivables from related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	<u>\$ 34,205</u>	<u>\$ 41,026</u>

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

<u>Counterparty</u>	<u>Description</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Qualipoly Technology (Guangdong) Corp.	Guarantee for financing	<u>\$ -</u>	<u>\$ 46,065</u>
Qualipoly Technology (Kunshan) Corp.	Guarantee for financing	<u>-</u>	<u>46,065</u>
		<u>\$ -</u>	<u>\$ 92,130</u>

As of December 31, 2023 and 2022, the actual amounts drawn from the endorsements and guarantees were \$- and \$16,751, respectively.

#### D. Key management compensation

	For the years ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	\$ 31,666	\$ 36,830
Post-employment benefits	548	467
	<u>\$ 32,214</u>	<u>\$ 37,297</u>

#### 8. Pledged Assets

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

<u>Pledged asset item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>Purpose</u>
Land (Note)	\$ 750,705	\$ 750,705	Short-term borrowings, long-term borrowings and borrowing facilities
Buildings, net (Note)	44,485	46,813	Short-term borrowings, long-term borrowings and borrowing facilities
Other equipment, net (Note)	3,594	4,364	Facilities of long-term borrowings
	<u>\$ 798,784</u>	<u>\$ 801,882</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, 2023 and 2022, the outstanding letters of credit issued but not negotiated were \$83,074 and \$47,932, respectively.

(2) Capital expenditures contracted but not yet incurred are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	<u>\$ 505,656</u>	<u>\$ 684,634</u>

#### 10. Significant Disaster Loss

None.

#### 11. Significant Events after the Balance Sheet Date

None.

#### 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

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets mandatorily measured at fair value through profit or loss	\$ 7,010	\$ 17,174
Financial assets at fair value through other comprehensive income	\$ 56,840	\$ 56,840
<u>Financial assets at amortized cost</u>		
Cash and cash equivalents	\$ 163,493	\$ 372,719
Notes receivable	65,925	65,619
Accounts receivable	691,536	542,960
Other receivables	15,897	6,713
Guarantee deposits paid	57,532	57,532
	<u>\$ 994,383</u>	<u>\$ 1,045,543</u>
<u>Financial liabilities</u>		
<u>Financial liabilities at amortized cost</u>		
Short-term borrowings	\$ 121,621	\$ 95,840
Short-term notes and bills payable	470	1,036
Notes payable	138,316	106,227
Accounts payable	242,888	145,688
Other payables	119,000	234,774
Long-term borrowings (including current portion)	973,935	827,638
	<u>\$ 1,596,230</u>	<u>\$ 1,411,203</u>
Lease liabilities	<u>\$ 1,416</u>	<u>\$ 2,112</u>

B. 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.

C. 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, 2023		
	Foreign currency amount		
(foreign currency: functional currency)	<u>(in thousands)</u>	<u>Exchange rate</u>	<u>Book value</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 13,331	30.705	\$ 409,328
RMB:NTD	15,394	4.327	66,610
AUD:NTD	1,810	20.98	37,974
GBP:NTD	346	39.15	13,546
<u>Investments accounted for under equity method</u>			
USD:NTD	18,581	30.705	570,519
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1,281	30.705	39,333

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	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

- 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, 2023 and 2022 would have increased/decreased by \$3,905 and \$3,849, respectively.
- vi. The total exchange gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022, amounted to \$2,781 and \$84,514, 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 Company 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, 2023 and 2022 would have increased/decreased by \$67 and \$172, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other comprehensive income would have increased/decreased by \$568 for both years, 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, 2023 and 2022 would have decreased/increased by \$136 and \$97, 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 0.94%~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,	
	2023	2022
At January 1	\$ 28,324	\$ 34,769
Expected credit gains	( 7,260)	( 6,000)
Write-offs of uncollectible receivables	-	( 445)
At December 31	<u>\$ 21,064</u>	<u>\$ 28,324</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, 2023	December 31, 2022
Floating rate:		
Expiring within one year	\$ 890,900	\$ 1,111,068
Expiring over one year	<u>1,113,166</u>	<u>1,039,462</u>
	<u>\$ 2,004,066</u>	<u>\$ 2,150,530</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, 2023	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	\$ 122,266	\$ -	\$ -	\$ -
Short-term notes and bills payable	470	-	-	-
Notes payable	138,316	-	-	-
Accounts payable	242,888	-	-	-
Other payables	119,000	-	-	-
Lease liabilities (including current and non-current)	720	720	-	-
Long-term borrowings (including current portion)	94,856	120,412	389,096	476,241
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

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. The fair value of the Company's investment in derivatives is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The Company's investments in equity instruments without active market is included in Level 3.

B. The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, 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, 2023 and 2022 are as follows:

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

<u>December 31, 2023</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				
Forward foreign exchange contracts	\$ -	\$ 360	\$ -	\$ 360
Equity securities	<u>6,650</u>	<u>-</u>	<u>-</u>	<u>6,650</u>
	<u>\$ 6,650</u>	<u>\$ 360</u>	<u>\$ -</u>	<u>\$ 7,010</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, 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>

- (b) The methods and assumptions the Company used to measure fair value are as follows:
- i. The instruments the Company 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 parent company only balance sheet date.
  - iii. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
  - iv. 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, 2023 and 2022, 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, 2023 and 2022:

	For the years ended December 31,	
	2023	2022
At January 1	\$ 56,840	\$ -
Acquired during the year	-	56,840
At December 31	<u>\$ 56,840</u>	<u>\$ 56,840</u>

(Note) For the years ended December 31, 2023 and 2022, 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, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 56,263	Net asset value	Not applicable	Not applicable	The higher the net assets value, the higher the fair value
	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

H. The Company 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, 2023			
			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%	\$ -	\$ -	\$ 563	(\$ 563)

  

			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)

### 13. Supplementary Disclosures

According to the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2023.

#### (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: Refer to Note 6(2), 'Financial assets and liabilities at fair value through profit or loss'.

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.  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2023

Table 1

Expressed in thousands of NTD

Number	Endorser/guarantor	Endorses/Guaranteed			Endorsement for a single party (Note 1)	Maximum outstanding endorsement/ guarantee amount	Outstanding endorsement/ guarantee amount	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 1)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship												
0	Qualipoly Chemical Corp.	Qualipoly Technology (Guang Dong) Corp.	Subsidiaries	\$ 2,888,927	\$ 47,130	\$ -	\$ -	\$ -	-	\$ 2,888,927	Y	N	Y	-	
		Qualipoly Technology (Kun Shan) Corp.	Subsidiaries	2,888,927	47,130	-	-	-	-	2,888,927	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 rate as of December 31, 2023 as follows: USD NTD 1:30.705; RMB : NTD 1:4.327).

Qualipoly Chemical Corp.

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

December 31, 2023

Table 2

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2023				
				No. of shares (in thousands of units or shares)	Book value	Ownership	Fair value	Footnote
Qualipoly Chemical Corp.	Stocks:							
	Nan Ya Plastics Corp.	—	Financial assets at fair value through profit or loss - current	100	\$ 6,650	0.001%	\$ 6,650	—
	ELECTRONINKS INCORPORATED		Financial assets at fair value through other comprehensive income - non-current	1,044	56,840	2.47%	56,263	—
Qualipoly	Stocks:							
International Inc.	Tianjin Yabang Chemical Co., Ltd.	—	Financial assets at fair value through profit or loss - non-current	-	15,584	19.00%	15,156	—
Chao Chien	Stocks:							
International Inc.	Zhangzhou Yabang Chemical Co., Ltd.	—	Financial assets at fair value through profit or loss - non-current	-	72,028	19.00%	65,265	—
	Zhangzhou Newsolar Technology Co., Ltd.	—	Financial assets at fair value through profit or loss - non-current	-	44,272	9.09%	59,784	—

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, 2023

Table 3

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit Price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
Qualipoly Chemical Corp.	Qualipoly Technology (Kunshan) Corp.	Subsidiaries	Sale	(\$ 173,865)	(6%)	Collect in 120 days after monthly billings	\$ -	Note 2	\$ 8,378	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.

(Note 2) Collect in 90 days after monthly billings.

Qualipoly Chemical Corp.  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2023

Table 4

Expressed in thousands of NTD

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				Items	Amount	Transaction terms	
0	Qualipoly Chemical Corp.	Qualipoly Technology (Kunshan) Corp.	1	Sales	\$ 173,865	Collect in 120 days after monthly billings	5%
		Qualipoly Technology (Guangdong) Corp.	1	Sales	29,105	Collect in 90 days after monthly billings	1%
		Dongguan Chao You New Material Co., Ltd.	1	Sales	48,671	Collect in 120 days after monthly billings	1%
				Accounts receivable	19,531	—	—

(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, 2023 as follows: USD NTD 1:30.705; RMB : NTD 1:4.327).

Qualipoly Chemical Corp.  
Information on investees  
For the year ended December 31, 2023

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognized for the year ended December 31, 2023	Footnote
				Balance at December 31, 2023	Balance at December 31, 2022	Number of shares	Ownership (%)	Book value			
Qualipoly Chemical Corp.	Qualipoly International Inc.	Samoa	General investment and international trading business	\$ 268,055	\$ 268,055	8,730,000	100.00	\$ 323,272	(\$ 6,721)	(\$ 6,928)	Subsidiaries
Qualipoly Chemical Corp.	Chao Chien International Inc.	Samoa	General investment and international trading business	66,599	66,599	2,169,000	100.00	247,247	31,317	31,248	Subsidiaries
Qualipoly International Inc.	Chaoyang International Inc.	Samoa	General investment and international trading business	301,085	301,085	9,805,738	100.00	309,198	( 6,581)	-	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, 2023 as follows: USD: NTD 1: 30.705.

Qualipoly Chemical Corp.  
Information on investments in Mainland China  
For the year ended December 31, 2023

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated	Amount remitted from Taiwan to		Accumulated	Net income of	Ownership held by	Investment	Book value of	Accumulated	Footnote
				amount of	Mainland China/Amount remitted		amount of			investee for the		income (loss)	
				remittance from	back to Taiwan for the year		remittance from	year ended	the Company	recognized by	investments in	investment	
				Taiwan to	ended December 31, 2023		Taiwan to Mainland	December 31,	(direct or indirect)	for the year	December 31, 2023	income	
				Mainland China	Remitted to	Remitted back	China at December	2023		ended	Mainland China at	remitted back	
				at January 1,	Mainland China	to Taiwan	31, 2023	2023		December 31,	December 31, 2023	to Taiwan as of	
				2023						2023		December 31,	
Qualipoly Technology (Kunshan) Corp.	Sales of chemical raw materials, UV curable materials, unsaturated polyester resins (UP resins) and coating resin	\$ 76,763	(Note 1)	\$ 76,763	\$ -	\$ -	\$ 76,763	\$ 2,607	100.00	\$ 2,607	\$ 134,308	\$ -	(Note 4)
Qualipoly Technology (Guangdong) Corp.	Manufacture and sales of unsaturated polyester resin, alkyd resin and aminoalkyd resin	199,583	(Note 2)	289,279	-	-	289,279	( 2,965)	100.00	( 2,965)	309,188	125,649	(Note 4)
Qualipoly Technology (Shanghai) Corp.	Sales of chemical raw materials, UV curable materials, unsaturated polyester resins (UP resins) and coating resin	12,967	(Note 1)	-	-	-	-	( 1,892)	100.00	( 1,892)	7,791	-	(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	15,128	(Note 2)	-	-	-	-	4,561	100.00	4,561	29,377	-	(Note 4)
Tianjin Yabang Chemical Co., Ltd.	Manufacture and sales of unsaturated polyester resin, alkyd resin and aminoalkyd resin	86,448	(Note 3)	14,094	-	-	14,094	-	19.00	-	15,584	-	-

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China	Net income of investee for the year ended	Ownership held by the Company	Investment income (loss) recognized by the Company for the year ended	Book value of investments in Mainland China at	Accumulated amount of investment income remitted back to Taiwan as of	Footnote
				at January 1, 2023	Remitted to Mainland China	Remitted back to Taiwan	Taiwan to Mainland China at December 31, 2023	December 31, 2023	(direct or indirect)	December 31, 2023	December 31, 2023		
Zhangzhou Yabang Chemical Co., Ltd.	Manufacture and sales of unsaturated polyester resin, alkyd resin and aminoalkyd resin	\$ 168,395	(Note 1)	\$ 20,419	\$ -	\$ -	\$ 20,419	\$ -	19.00	\$ -	\$ 72,028	\$ 193,989	-
Zhangzhou Newsolar Technology Co., Ltd.	Manufacture and sales of unsaturated polyester resin, alkyd resin and aminoalkyd resin	475,464	(Note 1)	44,272	-	-	44,272	-	9.09	-	44,272	-	-
Company name	Accumulated amount of remittance from Taiwan to Mainland China at December 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 5)										
Qualipoly Chemical Corp.	\$ 444,827	\$ 459,816	\$ 1,733,356										

(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, 2023 as follows: USD: NTD 1: 30.705.

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, 2023

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at December 31, 2023	%	Balance at December 31, 2023	Purpose	Maximum balance during the year ended December 31, 2023	Balance at December 31, 2023	Interest rate	Interest during the year ended December 31, 2023	Others
Qualipoly Technology (Kunshan) Corp.	\$ 173,865	6%	\$ -	-	\$ 8,378	1%	\$ -	-	\$ -	\$ -	-	\$ -	\$ -
Qualipoly Technology (Guangdong) Corp.	29,105	1%	-	-	6,296	1%	-	-	-	-	-	-	-
Dongguan Chao You New Material Co., Ltd.	48,671	2%	-	-	19,531	3%	-	-	-	-	-	-	-

Qualipoly Chemical Corp.  
Major shareholders information  
December 31, 2023

Table 8

Unit: shares

Name of major shareholders	Shares		Footnote
	Number of shares held	Ownership (%)	
Chao Chien Investment Inc.	12,530,757	12.52%	—

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.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash:		
Cash on hand		\$ 153
Revolving funds		270
Checking Deposits		79,842
Demand Deposits – New Taiwan dollar		52,467
– Foreign currency	USD 1,002 (in thousands), exchange rate: 30.705	30,761
		<u>\$ 163,493</u>

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF NOTES RECEIVABLE  
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
Company A	Notes receivable	\$ 7,387
Company B	"	4,951
Company C	"	4,491
Others (individually less than 5%)	"	49,096
		<u>\$ 65,925</u>

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
Group D	Receivables from the client	\$ 234,971
Company E	"	70,699
Others (individually less than 5%)	"	<u>372,725</u>
		678,395
Less: Allowance for uncollectible accounts		( <u>21,064</u> )
		<u>\$ 657,331</u>

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>		<u>Note</u>
		<u>Cost</u>	<u>Net Realizable Value</u>	
Raw materials	–	\$ 335,074	\$ 331,348	(Note)
Supplies	–	17,441	18,038	"
Work in progress	–	83,248	97,298	"
Finished goods	–	<u>289,176</u>	<u>326,848</u>	"
		724,939	<u>\$ 773,532</u>	
Less: Allowance for valuation loss		( <u>46,199</u> )		
		<u>\$ 678,740</u>		

(Note) Refer to Note 4(8) for the method to determine the net realisable value.

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF PREPAYMENTS  
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Input tax	—	\$ 40,179
Prepayments for purchases	—	30,810
Others (individually less than 5%)	—	4,871
		<u>\$ 75,860</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, 2023  
(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) 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 THE EQUITY METHOD**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(Expressed in thousands of New Taiwan dollars)

The Name of the Company	Beginning Balance		Increase		Decrease		Ending Balance			Market Value or Net Assets Value		Collateral	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	\$ 401,835	-	\$ 4,136	-	(\$ 82,699)	8,730	100%	\$ 323,272	\$ 37.24	\$ 325,112	None	-
Chao Chien International Inc.	2,169	255,662	-	32,625	-	( 41,040)	2,169	100%	247,247	114.69	248,770	None	-
		<u>\$ 657,497</u>		<u>\$ 36,761</u>		<u>(\$ 123,739)</u>			<u>\$ 570,519</u>		<u>\$ 573,882</u>		

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF CHANGES IN COST OF PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Refer to Note 6(7) for details of property, plant and equipment.

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND  
EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(7) for details of property, plant and equipment.

Refer to Note 4(12) 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, 2023  
(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	\$ 272,903	\$461,996	(\$ 51,673)	\$ 683,226	-

(Note) Transferred to Note 6 (28) for details of supplemental cash flow information.

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF GUARANTEE DEPOSITS PAID  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Guarantees for the acquisition of land in Tainan Technology Industrial Park	\$ 57,392
Others (individually less than 5%)	<u>140</u>
	<u>\$ 57,532</u>

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Nature	Description	Ending Balance	Contract Period	Range of Interest Rate	Credit Facility	Collateral	Note
Unsecured bank borrowings	Mega International Commercial Bank	\$ 71,621	2023.10.13~2024.06.22	1.65%~6.28%	USD 7,000 thousand	None	-
Secured bank borrowings	Bank of Taiwan	<u>50,000</u>	2023. 11. 28~2024.03.26	1.65%	150,000	Land and buildings	-
		<u>\$ 121,621</u>					

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF NOTES PAYABLE  
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars)

<u>Name of suppliers</u>	<u>Description</u>	<u>Amount</u>
YUAN JEN ENTERPRISES CO., LTD.	Notes payable	\$ 30,921
SINO-JAPAN CHEMICAL CO., LTD.	"	20,040
JSR MICRO TAIWAN CO., LTD.	"	18,554
NAN YA PLASTICS CORP.	"	11,193
Others (individually less than 5%)	"	<u>57,608</u>
		<u>\$ 138,316</u>

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2023

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

Name of suppliers	Description	Amount
Non-related parties:		
YUAN JEN ENTERPRISES CO., LTD.	Accounts payable	\$ 34,935
SINO-JAPAN CHEMICAL CO., LTD.	"	22,972
ORIENTAL UNION CHEMICAL CORP.	"	20,358
JSR MICRO TAIWAN CO., LTD	"	18,276
NAN YA PLASTICS CORP.	"	13,543
Others (individually less than 5%)	"	132,804
		<u>\$ 242,888</u>

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF OTHER PAYABLES  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(12) for details of other payables.

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF CURRENT TAX LIABILITY  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Current income tax payable	\$ 51,874
Tax on undistributed surplus earnings payable	<u>6,053</u>
	<u>\$ 57,927</u>

QUALIPOLY CHEMICAL CORP.  
LONG-TERM LIABILITIES, CURRENT PORTION  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Description	Description	Range of Interest Rate	Amount	Collateral
Yuanta Commercial Bank	(Note)	1.65%	\$ 50,000	None
Bank of Taiwan	(Note)	1.76%	30,000	Land and buildings
			<u>\$ 80,000</u>	

(Note) Refer to Note 6(13) for details of long-term borrowings.

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2023  
(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	1.76%	\$ 450,000	Land	(Note 1)
	Secured borrowings	2021.11.1~2026.11.1	1.76%	87,500	Land and buildings	(Note 2)
	Secured borrowings	2022.8.31~2041.11.1	1.76%	66,080	Buildings	(Note 3)
Chinatrust Commercial Bank	Unsecured borrowings	2022.3.23~2029.3.15	1.35%	1,302	None	(Note 4)
	Unsecured borrowings	2022.8.23~2029.8.15	1.35%	10,206	None	(Note 4)
E.SUN Commercial Bank	Unsecured borrowings	2022.4.18~2029.4.15	1.45%	229,361	None	(Note 4)
Yuanta Commercial Bank	Unsecured borrowings	2022.10.27~2024.10.27	1.65%	50,000	None	(Note 5)
Cathay United Bank	Unsecured borrowings	2022.3.23~2029.2.8	1.25%	79,486	None	(Note 4)
				973,935		
	Less: Current portion			( 80,000)		
				\$ 893,935		

(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 OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

Item	Quantity	Amount		Note
		Subtotal	Total	
Sales revenue:				
Synthetic resin	33 kilotons	\$ 2,963,894		–
Others		<u>105,579</u>	\$ 3,069,473	–
Less: Sales returns and discounts			( <u>5,765</u> )	–
Operating revenue			<u>\$ 3,063,708</u>	

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Item	Amount
Beginning raw materials	\$ 440,159
Add: Raw materials purchased	1,885,440
Transferred from work in progress	278,024
Gain on physical inventory	8,769
Others	23
Less: Transferred to expenses	( 26,213)
Scrapped	( 862)
Ending raw materials	( <u>335,074</u> )
Raw materials used during the year	<u>2,250,266</u>
Beginning supplies	13,210
Add: Supplies purchased	194,981
Gain on physical inventory	22
Less: Transferred to expenses	( 40,881)
Others	( 46)
Ending supplies	( <u>17,441</u> )
Supplies used during the year	<u>149,845</u>
Direct labor	<u>75,899</u>
Manufacturing overhead	<u>348,734</u>
Manufacturing cost	2,824,744
Beginning work in progress	129,860
Add: Transfer from finished goods	196,771
Less: Transferred to raw materials	( 278,024)
Ending work in progress	( <u>83,248</u> )
Cost of finished goods	2,790,103

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF OPERATING COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

Item	Amount
Beginning finished goods	\$ 338,990
Add: Finished goods purchased	50,881
Gain on physical inventory	228
Less: Transferred to work in progress	( 196,771)
Transferred to expenses	( 45,469)
Scrapped	( 1,209)
Others	( 7,190)
Ending finished goods	( 289,176)
Cost of production sold	2,640,387
Loss on scrapped inventories	2,071
Reversal of allowance for inventory market price decline	( 27,902)
Gain on physical inventories	( 9,019)
Sales from sale of scraps	( 1,042)
Operating costs	<u>\$ 2,604,495</u>

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF MANUFACTURING OVERHEAD  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Environmental protection expenses	—	\$ 82,652	—
Wages and salaries	—	69,011	—
Depreciation	—	47,385	—
Utilities	—	40,990	—
Consumables	—	40,698	—
Fuel expense	—	37,880	—
Others (individually less than 5%)	—	<u>30,118</u>	—
		<u>\$ 348,734</u>	

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Export expenses	–	\$ 51,707	–
Wages and salaries	–	43,018	–
Freight	–	15,974	–
Commissions expense	–	15,960	–
Others (individually less than 5%)	–	<u>36,001</u>	–
		<u>\$ 162,660</u>	

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	–	\$ 49,179	–
Insurance expense	–	10,122	–
Depreciation	–	7,660	–
Services fees	–	6,202	–
Others (individually less than 5%)	–	<u>20,929</u>	–
		<u>\$ 94,092</u>	

QUALIPOLY CHEMICAL CORP.  
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	–	\$ 31,019	–
Product development fees	–	4,000	–
Insurance expense	–	2,970	–
Depreciation	–	2,520	–
Experimental expense	–	2,514	–
Others (individually less than 5%)	–	<u>7,146</u>	–
		<u>\$ 50,169</u>	

QUALIPOLY CHEMICAL CORP.  
SUMMARY STATEMENT OF CURRENT EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION  
AND AMORTIZATION EXPENSES BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Refer to Note 6(24) for details of expenses by nature and Note 6(25) for details of employee benefit expense.