

Eternal Materials Co., Ltd.

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

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

INDEPENDENT AUDITORS' REPORT

Eternal Materials Co., Ltd.

Opinion

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

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter paragraph) the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as of December 31, 2022 and 2021, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone 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. Based on our audits and the report of other auditors, 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 standalone financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Company's standalone financial statements for the year ended December 31, 2022 is described as follows:

The Occurrence of Sales Revenue from the High Performance Materials Department

1. Description

The percentage of sales of the high performance materials department of Eternal Materials Co., Ltd increased due to the economic upturn. Therefore, we identified the occurrence of revenue from the high performance materials department as a key audit matter.

2. The audit procedures we performed in response to the above key audit matters are as the follows:

- a. We obtained an understanding of the internal controls over the customer master file, shipping, accounting and receiving process on revenue recognition of the high performance materials department and tested their effectiveness.
- b. We obtained the major customer master file data and verified the information of the registered responsible person, business category, and business address, etc. using publicly available information, and checked for abnormalities in the customers' credit limit, transaction terms, sales revenue and company size.
- c. We selected appropriate samples from the sales revenue receipts of the high performance materials department, examined the shipping documents or proof of payment, and we verified that the recipient of the payment was the same as the transaction counterparty.
- d. We checked for major sales returns after the reporting date and verified that the sales transactions occurred before the balance sheet date.

Other Matter

The financial statements of some subsidiaries and associates were audited by other auditors. Therefore, our opinion on the amounts included in the accompanying financial statements was based on the financial statements audited by other auditors. Such investments accounted for using the equity method amounted to NT\$672,942 thousand and NT\$2,484,230 thousand, representing 1% and 5% of the Company's total assets as of December 31, 2022 and 2021, respectively; and the share of the profit of the subsidiaries and associates amounted to NT\$97,155 thousand and NT\$955,437 thousand, representing 3% and 29% of the Company's total comprehensive income for the years ended December 31, 2022 and 2021, respectively.

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

Management is responsible for the preparation and fair presentation of the standalone 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 standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone 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 Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone 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 standalone 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 standalone 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 standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the standalone 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 standalone financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would

reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chao-Chun Wang and Lee-Yuan Kuo.

Wang, Chao - Chun Lee - Yuan Kuo

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 10, 2023

Notice to Readers

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

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

Eternal Materials Co., Ltd.

STANDALONE BALANCE SHEETS (In Thousands of New Taiwan Dollars)

| ASSETS | December 31, 2022 | | December 31, 2021 | |
|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | \$ 331,652 | 1 | \$ 204,815 | - |
| Notes receivable, net (Notes 4 and 7) | 275,956 | 1 | 378,823 | 1 |
| Accounts receivable, net (Notes 4, 5 and 7) | 2,447,154 | 5 | 2,923,374 | 6 |
| Accounts receivable from related parties, net (Notes 4, 5, 7 and 25) | 877,655 | 2 | 910,494 | 2 |
| Other receivables (Notes 7 and 25) | 881,366 | 2 | 640,375 | 1 |
| Inventories (Notes 4, 5 and 8) | 3,350,642 | 7 | 4,094,531 | 9 |
| Other current assets - others (Notes 20 and 26) | 254,730 | - | 238,180 | 1 |
| Total current assets | 8,419,155 | 18 | 9,390,592 | 20 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 9) | 627,056 | 2 | 861,780 | 2 |
| Investments accounted for using the equity method (Notes 4 and 10) | 31,324,109 | 66 | 30,630,571 | 64 |
| Property, plant and equipment (Notes 4 and 11) | 6,897,112 | 14 | 6,300,703 | 13 |
| Right-of-use assets (Notes 4 and 12) | 65,686 | - | 108,588 | - |
| Investment properties (Notes 4 and 13) | 50,674 | - | 51,358 | - |
| Intangible assets (Notes 4 and 14) | 207,149 | - | 219,426 | - |
| Deferred tax assets (Notes 4, 5 and 20) | 177,352 | - | 237,989 | 1 |
| Other non-current assets - others (Note 26) | 52,299 | - | 35,883 | - |
| Total non-current assets | 39,401,437 | 82 | 38,446,298 | 80 |
| TOTAL | \$ 47,820,592 | 100 | \$ 47,836,890 | 100 |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 4, 15 and 25) | \$ 3,465,564 | 7 | \$ 2,179,370 | 5 |
| Notes payable | 533 | - | 29 | - |
| Accounts payable (Note 25) | 1,044,917 | 3 | 1,584,989 | 3 |
| Other payables - others (Note 16) | 976,382 | 2 | 936,960 | 2 |
| Current tax liabilities (Note 20) | 377,530 | 1 | 243,453 | - |
| Lease liabilities - current (Notes 4 and 12) | 19,592 | - | 29,751 | - |
| Current portion of long-term borrowings (Notes 4 and 15) | 2,994,000 | 6 | 3,844,000 | 8 |
| Other current liabilities - others (Note 18) | 44,140 | - | 54,983 | - |
| Total current liabilities | 8,922,658 | 19 | 8,873,535 | 18 |
| NON-CURRENT LIABILITIES | | | | |
| Bonds payable (Notes 4 and 15) | 5,493,921 | 11 | 5,491,683 | 12 |
| Long-term borrowings (Notes 4 and 15) | 5,840,000 | 12 | 5,812,084 | 12 |
| Deferred tax liabilities (Notes 4, 5 and 20) | 2,217,429 | 5 | 2,551,139 | 5 |
| Lease liabilities - non-current (Notes 4 and 12) | 43,726 | - | 79,774 | - |
| Other non-current liabilities (Notes 5 and 16) | 542,454 | 1 | 789,567 | 2 |
| Total non-current liabilities | 14,137,530 | 29 | 14,724,247 | 31 |
| Total liabilities | 23,060,188 | 48 | 23,597,782 | 49 |
| EQUITY (Note 17) | | | | |
| Ordinary shares | 11,782,655 | 25 | 12,402,795 | 26 |
| Capital surplus | 368,946 | 1 | 368,946 | 1 |
| Retained earnings | | | | |
| Legal reserve | 4,803,617 | 10 | 4,437,120 | 9 |
| Special reserve | 1,181,819 | 2 | 781,875 | 2 |
| Unappropriated earnings | 7,600,968 | 16 | 7,430,191 | 15 |
| Total retained earnings | 13,586,404 | 28 | 12,649,186 | 26 |
| Other equity | (977,601) | (2) | (1,181,819) | (2) |
| Total equity | 24,760,404 | 52 | 24,239,108 | 51 |
| TOTAL | \$ 47,820,592 | 100 | \$ 47,836,890 | 100 |

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

(With Deloitte & Touche auditors' report dated March 10, 2023)

Eternal Materials Co., Ltd.

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | For the Year Ended December 31 | | | |
|--|--------------------------------|-----------|-------------------|------------|
| | 2022 | | 2021 | |
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4, 18 and 25) | \$ 16,211,752 | 100 | \$ 16,562,728 | 100 |
| OPERATING COSTS (Notes 8, 16, 19 and 25) | <u>13,019,221</u> | <u>80</u> | <u>13,636,721</u> | <u>82</u> |
| GROSS PROFIT | <u>3,192,531</u> | <u>20</u> | <u>2,926,007</u> | <u>18</u> |
| OPERATING EXPENSES (Notes 7, 16 and 19) | | | | |
| Selling and marketing expenses | 1,133,800 | 7 | 1,162,837 | 7 |
| General and administrative expenses | 850,933 | 5 | 802,248 | 5 |
| Research and development expenses | 1,216,762 | 8 | 1,153,539 | 7 |
| Expected credit loss (gain) | <u>(1,449)</u> | <u>-</u> | <u>5,006</u> | <u>-</u> |
| Total operating expenses | <u>3,200,046</u> | <u>20</u> | <u>3,123,630</u> | <u>19</u> |
| LOSS FROM OPERATIONS | <u>(7,515)</u> | <u>-</u> | <u>(197,623)</u> | <u>(1)</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest income | 7,268 | - | 154 | - |
| Other income (Notes 19 and 25) | 613,893 | 3 | 638,196 | 3 |
| Other gains and losses (Note 19) | 7,665 | - | (22,538) | - |
| Finance costs (Notes 4, 19 and 25) | (216,030) | (1) | (169,460) | (1) |
| Share of profit of subsidiaries, associates and joint ventures (Note 10) | <u>2,270,537</u> | <u>14</u> | <u>3,472,420</u> | <u>21</u> |
| Total non-operating income and expenses | <u>2,683,333</u> | <u>16</u> | <u>3,918,772</u> | <u>23</u> |
| PROFIT BEFORE INCOME TAX | 2,675,818 | 16 | 3,721,149 | 22 |
| INCOME TAX EXPENSE (Notes 4 and 20) | <u>(58,226)</u> | <u>-</u> | <u>(171,881)</u> | <u>(1)</u> |
| NET PROFIT FOR THE YEAR | <u>2,617,592</u> | <u>16</u> | <u>3,549,268</u> | <u>21</u> |

(Continued)

Eternal Materials Co., Ltd.

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | For the Year Ended December 31 | | | |
|--|--------------------------------|-----------|---------------------|------------|
| | 2022 | | 2021 | |
| | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| (Notes 16, 17 and 20) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | \$ 214,688 | 1 | \$ 57,254 | - |
| Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income | (233,486) | (1) | 81,955 | 1 |
| Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method | 5,089 | - | (3,493) | - |
| Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method | (2,583) | - | 23,106 | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | (49,488) | - | 21,168 | - |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of the financial statements of foreign operations | 406,080 | 2 | (446,456) | (2) |
| Share of other comprehensive income (loss) of associates and joint ventures | <u>40,757</u> | <u>-</u> | <u>(14,566)</u> | <u>-</u> |
| Other comprehensive income (loss) for the year, net of income tax | <u>381,057</u> | <u>2</u> | <u>(281,032)</u> | <u>(1)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 2,998,649</u> | <u>18</u> | <u>\$ 3,268,236</u> | <u>20</u> |
| EARNINGS PER SHARE (Note 21) | | | | |
| Basic | \$ 2.15 | | \$ 2.86 | |
| Diluted | 2.15 | | 2.85 | |

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

(Concluded)

(With Deloitte & Touche auditors' report dated March 10, 2023)

Eternal Materials Co., Ltd.

STANDALONE STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

| | Ordinary Shares | Capital Surplus | Retained Earnings | | | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Other Equity | | Total Equity |
|--|-----------------|-----------------|-------------------|-----------------|-------------------------|---|--|--------------------|---------------|
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | | Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income | Total Other Equity | |
| BALANCE AT JANUARY 1, 2022 | \$ 12,402,795 | \$ 368,946 | \$ 4,437,120 | \$ 781,875 | \$ 7,430,191 | \$ (1,781,848) | \$ 600,029 | \$ (1,181,819) | \$ 24,239,108 |
| Appropriation of the 2021 earnings (Note 17) | | | | | | | | | |
| Legal reserve appropriated | - | - | 366,497 | - | (366,497) | - | - | - | - |
| Special reserve appropriated | - | - | - | 399,944 | (399,944) | - | - | - | - |
| Cash dividends - NT\$1.5 per share | - | - | - | - | (1,860,419) | - | - | - | (1,860,419) |
| | - | - | 366,497 | 399,944 | (2,626,860) | - | - | - | (1,860,419) |
| Net profit for the year ended December 31, 2022 | - | - | - | - | 2,617,592 | - | - | - | 2,617,592 |
| Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax | - | - | - | - | 176,839 | 446,837 | (242,619) | 204,218 | 381,057 |
| Total comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | 2,794,431 | 446,837 | (242,619) | 204,218 | 2,998,649 |
| Capital reduction by cash (Note 17) | (620,140) | - | - | - | - | - | - | - | (620,140) |
| Disposal of investments in equity instruments at fair value through other comprehensive income (Note 20) | - | - | - | - | 3,206 | - | - | - | 3,206 |
| BALANCE AT DECEMBER 31, 2022 | \$ 11,782,655 | \$ 368,946 | \$ 4,803,617 | \$ 1,181,819 | \$ 7,600,968 | \$ (1,335,011) | \$ 357,410 | \$ (977,601) | \$ 24,760,404 |
| BALANCE AT JANUARY 1, 2021 | \$ 12,402,795 | \$ 368,946 | \$ 4,188,871 | \$ 1,442,690 | \$ 5,213,715 | \$ (1,320,826) | \$ 538,306 | \$ (782,520) | \$ 22,834,497 |
| Appropriation of the 2020 earnings (Note 17) | | | | | | | | | |
| Legal reserve appropriated | - | - | 248,249 | - | (248,249) | - | - | - | - |
| Reversal of special reserve | - | - | - | (660,170) | 660,170 | - | - | - | - |
| Cash dividends - NT\$1.5 per share | - | - | - | - | (1,860,419) | - | - | - | (1,860,419) |
| | - | - | 248,249 | (660,170) | (1,448,498) | - | - | - | (1,860,419) |
| Net profit for the year ended December 31, 2021 | - | - | - | - | 3,549,268 | - | - | - | 3,549,268 |
| Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax | - | - | - | - | 42,638 | (461,022) | 137,352 | (323,670) | (281,032) |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | 3,591,906 | (461,022) | 137,352 | (323,670) | 3,268,236 |
| Disposal of investments in equity instruments at fair value through other comprehensive income (Notes 17 and 20) | - | - | - | - | 72,423 | - | (75,629) | (75,629) | (3,206) |
| Others (Note 17) | - | - | - | (645) | 645 | - | - | - | - |
| BALANCE AT DECEMBER 31, 2021 | \$ 12,402,795 | \$ 368,946 | \$ 4,437,120 | \$ 781,875 | \$ 7,430,191 | \$ (1,781,848) | \$ 600,029 | \$ (1,181,819) | \$ 24,239,108 |

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

(With Deloitte & Touche auditors' report dated March 10, 2023)

Eternal Materials Co., Ltd.

STANDALONE STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

| | For the Year Ended December 31 | |
|--|---------------------------------------|--------------------|
| | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | \$ 2,675,818 | \$ 3,721,149 |
| Adjustments for: | | |
| Depreciation expense | 662,697 | 698,916 |
| Amortization expense | 17,603 | 17,888 |
| Expected credit loss (gain) | (1,449) | 5,006 |
| Finance costs | 216,030 | 169,460 |
| Interest income | (7,268) | (154) |
| Dividend income | (63,281) | (48,125) |
| Share of the profit of subsidiaries, associates and joint ventures | (2,270,537) | (3,472,420) |
| Loss (gain) on disposal of property, plant and equipment | 2,684 | (72,412) |
| Impairment loss recognized on non-financial assets | 50,188 | 89,843 |
| Others | (3,870) | (385) |
| Changes in operating assets and liabilities | | |
| Notes receivable | 102,867 | (92,748) |
| Accounts receivable | 459,926 | (733,632) |
| Accounts receivable from related parties | 30,461 | 43,455 |
| Other receivables | 41,060 | (91,241) |
| Inventories | 659,531 | (1,554,688) |
| Other current assets | 4,970 | (37,921) |
| Notes payable | 504 | 7 |
| Accounts payable | (512,614) | 197,585 |
| Other payables | (103,337) | 113,824 |
| Other current liabilities | 26,569 | 24,901 |
| Other non-current liabilities | (32,726) | (149,670) |
| Cash generated from (used in) operations | <u>1,955,826</u> | <u>(1,171,362)</u> |
| Interest received | 7,255 | 154 |
| Dividends received | 2,057,540 | 1,874,998 |
| Interest paid | (211,439) | (175,075) |
| Income taxes paid | <u>(268,377)</u> | <u>(197,013)</u> |
| Net cash generated from operating activities | <u>3,540,805</u> | <u>331,702</u> |

(Continued)

Eternal Materials Co., Ltd.

STANDALONE STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

| | For the Year Ended December 31 | |
|--|---------------------------------------|--------------------------|
| | 2022 | 2021 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | \$ - | \$ 84,697 |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 1,238 | - |
| Payment for property, plant and equipment | (1,097,466) | (867,215) |
| Proceeds from disposal of property, plant and equipment | 1,119 | 46,641 |
| Increase in other receivables from related parties | (307,100) | - |
| Payment for intangible assets | (6,083) | (7,789) |
| Increase in other financial assets | (15,000) | - |
| Increase in other non-current assets | (16,489) | (100) |
| Net cash used in establishing a subsidiary by spin-off | <u>(159,395)</u> | <u>-</u> |
| Net cash used in investing activities | <u>(1,599,176)</u> | <u>(743,766)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term borrowings | 1,286,194 | 439,050 |
| Proceeds from issuance of bonds | - | 2,500,000 |
| Proceeds from long-term borrowings | 6,960,000 | 9,113,705 |
| Repayments of long-term borrowings | (7,784,000) | (9,873,089) |
| Increase (decrease) in guarantee deposits received | 300 | (2,500) |
| Repayment of the principal portion of lease liabilities | (25,209) | (29,511) |
| Dividends paid | (1,860,419) | (1,860,419) |
| Capital reduction by cash | (620,140) | - |
| Proceeds from capital reduction of subsidiaries accounted for using the equity method | <u>228,482</u> | <u>-</u> |
| Net cash generated from (used in) financing activities | <u>(1,814,792)</u> | <u>287,236</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 126,837 | (124,828) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>204,815</u> | <u>329,643</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 331,652</u> | <u>\$ 204,815</u> |

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

(Concluded)

(With Deloitte & Touche auditors' report dated March 10, 2023)

Eternal Materials Co., Ltd.

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

1. GENERAL INFORMATION

Eternal Materials Co., Ltd. (the Company) was established in December 1964. The Company is mainly engaged in the research, manufacturing, processing, selling and trading of diversified industrial synthetic resins, epoxy resin, acrylates, methacrylates, coating, molding compound, copper clad laminates, film materials, photoresist materials, electronic chemical materials, composite materials and bio-medical testing materials.

The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since March 1994.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved by the Company's board of directors and authorized for issue on March 10, 2023.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a. The application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC), (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC will not have a material impact on the Company's accounting policies.

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

| New IFRSs | Effective Date Announced by International Accounting Standards Board (IASB) |
|---|--|
| Amendments to IAS 1 "Disclosure of Accounting Policies" | January 1, 2023 (Note 1) |
| Amendments to IAS 8 "Definition of Accounting Estimates" | January 1, 2023 (Note 2) |
| Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" | January 1, 2023 (Note 3) |

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

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

beginning on or after January 1, 2023.

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of preparation

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

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

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

When preparing the standalone financial statements, the Company accounted for investments in subsidiaries and associates using the equity method. In order for the amount of net income, other comprehensive income and equity in the standalone financial statements to be equal to those attributable to owners of the Company in the consolidated financial statements, the differences in the accounting treatment between the standalone basis and the consolidated basis are adjusted under the heading of investments accounted for using the equity method, share of profits of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures in the standalone financial statements.

c. Classification of current and noncurrent assets and liabilities

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities without an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

When a business combination is achieved in stages, the Company's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if those interests had been directly disposed of by the Company.

e. Foreign currencies

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

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

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

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

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate of exchange at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and inventory in transit. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

g. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company. Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the share of other equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transactions. Differences between the carrying amounts of the investment and the fair value of consideration paid or received are directly recognized in equity.

When the Company's share of loss of a subsidiary equals to or exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount of cash-generating units based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the profit for reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in subsequent periods.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Unrealized profits or losses resulting from downstream transactions with subsidiaries are eliminated in the standalone financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the standalone financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

h. Investments in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

The Company uses the equity method to account for its investments in associates.

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

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

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - share of changes in equities of associates and investments accounted for using the equity method. If the Company's ownership interest is reduced due to subscription of the new shares of associate at a percentage different from its existing ownership percentage, the proportionate amount of

the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be a deduction to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is deducted from retained earnings.

When the Company's share of losses of an associate equals or exceeds their interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing their share of further losses, if any. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

When impairment loss is evaluated, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Company transacts with its associates, profits and losses on these transactions are recognized in the standalone financial statements only to the extent of interests in the associates that are not related to the Company.

i. Property, plant, and equipment

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

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately.

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

j. Investment properties

Investment properties are properties held to earn rent and land held for a currently undetermined future use. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method except for land.

For a transfer of classification from property, plant and equipment or right-of-use assets to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount at the end of owner-occupation.

For a transfer of classification from investment properties to property, plant and equipment or right-of-use assets, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

For a contract where a landowner provides land for the construction of buildings by a property developer in exchange for a certain percentage of buildings, any exchange gain or loss is recognized when the exchange transaction occurs, if the buildings acquired are classified as investment properties and if the exchange transaction has commercial substance.

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

k. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis.

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

l. Impairment of property, plant and equipment, investment properties, right-of-use assets and intangible assets

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

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

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

m. Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset or disposal group is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

When a sale plan would result in a loss of control of a subsidiary, all of the carrying amounts of the investments in that subsidiary are classified as held for sale, regardless of whether there is any residual interest in that subsidiary after the sale. However, such investment is still accounted for using the equity method.

When the Company is committed to a sale plan involving the disposal of an investment or a portion of an investment in an associate, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Company discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. If the Company ceases to have significant influence over the investment after the disposal takes place, the Company accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

When a subsidiary, associate, or a portion of an interest in an associate previously classified as held for sale no longer meets the criteria to be classified as such, it is measured at the carrying amount that would have been recognized as such interests had not been classified as held for sale. The financial statements for the prior periods with interests classified as held for sale are amended accordingly.

n. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: financial assets at amortized cost and investments in equity instruments at FVTOCI.

i Financial assets at amortized cost

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

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

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

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

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

ii Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost which are on accounts receivable.

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. The risk of default of accounts receivable is assessed based on the number of days past due. The risk of default of other financial assets for the next 12 months is assessed based on internal or external information.

c) Derecognition of financial assets

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

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the

asset and any associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes the proceeds received in accounts payable or related borrowings.

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

2) Financial liabilities

a) Subsequent measurement

The Company measures all financial liabilities at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

o. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when the committed goods are delivered from the Company to customers to satisfy performance obligations. Unearned sales revenues are recognized as contract liabilities until performance obligations are satisfied.

Revenue is measured at fair value, which is the transaction price (net of commercial discounts and quantity discounts) agreed to by the Company with customers. For a contract where the period between the date the Company transfers a promised good to a customer and the date the customer pays for that good is one year or less, the Company does not adjust the promised amount of consideration for any effect of a significant financing component.

2) Revenue from the rendering of services

The rendering of services of the Company pertain to intangible asset licensing and logistics support. The service price is charged according to the basis of calculation as stated in the contract. Since the period between the date of service transferred and the date of collection is less than one year, the Company does not adjust the promised amount of consideration for any effect of a significant financing component.

p. Leases

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

1) The Company as lessor

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

When the Company subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Company's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the lease terms.

2) The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are presented on a separate line in the standalone balance sheets, except for those that meet the definition of investment properties.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a

change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing any gain or loss on the partial or full termination of the lease in profit or loss; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the standalone balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

q. Borrowing costs

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

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

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

s. Taxation

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

1) Current tax

The Company's income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized on deductible temporary differences provided there will be sufficient taxable profit against which the benefits of the temporary differences can be used.

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

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

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

3) Current and deferred taxes for the year

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

t. Spin-off

The Company spun off its assets, liabilities and business to a subsidiary and obtained its issued equity. The acquisition cost is the net of assets less liabilities from the Company spun-off, and no exchange gain was recognized.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the economic impact of the COVID-19 when marking their critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Key Sources of Estimation and Assumption Uncertainty

a. Income taxes

The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

Since a portion of the earnings is expected to be used for expanding foreign operations, it will not be remitted in the foreseeable future. The realization of deferred income tax liabilities mainly depends on the scale of operation expansion in the future. If the actual investment amount in the future is less than the expected investment amount, an income tax reversal will occur and such reversal amount will be recognized in profit and loss upon occurrence.

b. Estimated impairment of accounts receivable

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

c. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

d. Recognition and measurement of defined benefit plans

The resulting defined benefit costs under the defined benefit pension plans and the net defined benefit liabilities (assets) are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases rate, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities.

6. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|---------------------------------------|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Cash on hand | \$ 3,633 | \$ 3,574 |
| Checking accounts and demand deposits | <u>328,019</u> | <u>201,241</u> |
| | <u>\$ 331,652</u> | <u>\$ 204,815</u> |

7. NOTES, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| Notes receivable | <u>\$ 275,956</u> | <u>\$ 378,823</u> |
| Accounts receivable | \$ 2,526,649 | \$ 3,009,226 |
| Less: Allowance for loss | <u>(79,495)</u> | <u>(85,852)</u> |
| | <u>\$ 2,447,154</u> | <u>\$ 2,923,374</u> |
| Accounts receivable from related parties | \$ 877,659 | \$ 910,531 |
| Less: Allowance for loss | <u>(4)</u> | <u>(37)</u> |
| | <u>\$ 877,655</u> | <u>\$ 910,494</u> |
| Other receivables | \$ 911,166 | \$ 670,175 |
| Less: Allowance for loss | <u>(29,800)</u> | <u>(29,800)</u> |
| | <u>\$ 881,366</u> | <u>\$ 640,375</u> |

a. Notes receivable and accounts receivable

The notes and accounts receivable of the Company are measured at amortized cost. For the related credit management policies, refer to Note 24.

The loss allowance for the Company's accounts receivable is recognized by using lifetime expected credit losses. The lifetime expected credit losses on accounts receivable are estimated using a provision matrix approach considering the past collection experience of the customers, the increase in overdue payments and the forward-looking factor of global economic growth rate.

The following table details the loss allowance of notes and accounts receivable based on the Company's provision matrix:

December 31, 2022

| | <u>Not Past Due</u> | <u>0 to 30 Days</u> | <u>31 to 90 Days</u> | <u>91 to 180 Days</u> | <u>Over 180 Days</u> | <u>Total</u> |
|-------------------------------|---------------------|---------------------|----------------------|-----------------------|----------------------|---------------------|
| Gross carrying amount | \$ 3,233,976 | \$ 230,212 | \$ 114,744 | \$ 24,800 | \$ 76,532 | \$ 3,680,264 |
| Loss allowance (lifetime ECL) | <u>(430)</u> | <u>(478)</u> | <u>(1,241)</u> | <u>(885)</u> | <u>(76,465)</u> | <u>(79,499)</u> |
| Amortized cost | <u>\$ 3,233,546</u> | <u>\$ 229,734</u> | <u>\$ 113,503</u> | <u>\$ 23,915</u> | <u>\$ 67</u> | <u>\$ 3,600,765</u> |

December 31, 2021

| | Not Past Due | 0 to 30 Days | 31 to 90 Days | 91 to 180 Days | Over 180 Days | Total |
|-------------------------------|---------------------|-------------------|------------------|-----------------|-----------------|---------------------|
| Gross carrying amount | \$ 3,931,217 | \$ 217,236 | \$ 66,610 | \$ 8,139 | \$ 75,378 | \$ 4,298,580 |
| Loss allowance (lifetime ECL) | <u>(2,698)</u> | <u>(2,526)</u> | <u>(3,800)</u> | <u>(1,487)</u> | <u>(75,378)</u> | <u>(85,889)</u> |
| Amortized cost | <u>\$ 3,928,519</u> | <u>\$ 214,710</u> | <u>\$ 62,810</u> | <u>\$ 6,652</u> | <u>\$ -</u> | <u>\$ 4,212,691</u> |

The movements of the loss allowance for accounts receivable were as follows:

| | For the Year Ended December 31 | |
|----------------------------------|---------------------------------------|------------------|
| | 2022 | 2021 |
| Balance at beginning of the year | \$ 85,889 | \$ 97,725 |
| Reversed in the current year | (1,449) | (9,649) |
| Written off in the current year | (4,929) | (2,187) |
| Spin-off | <u>(12)</u> | <u>-</u> |
| Balance at end of the year | <u>\$ 79,499</u> | <u>\$ 85,889</u> |

b. Other receivables

The Company's loss allowance is based on historical experience and current financial position. As of December 31, 2022 and 2021, the balance of the loss allowance of the Company was \$29,800 thousand.

8. INVENTORIES

| | December 31 | |
|----------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Raw materials | \$ 1,577,411 | \$ 1,833,949 |
| Supplies | 42,960 | 43,370 |
| Finished goods | 1,638,795 | 2,085,699 |
| Inventory in transit | <u>91,476</u> | <u>131,513</u> |
| | <u>\$ 3,350,642</u> | <u>\$ 4,094,531</u> |

The cost of inventories recognized as operating costs for the years ended December 31, 2022 and 2021 was \$13,019,221 thousand and \$13,636,721 thousand, respectively, including write-down of inventories of \$50,188 thousand and \$89,843 thousand, respectively.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

| | December 31 | |
|----------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Domestic investments | | |
| Listed shares | | |
| President Securities Corp. | \$ 522,190 | \$ 789,124 |

(Continued)

| | December 31 | |
|--|--------------------|-------------------|
| | 2022 | 2021 |
| Unlisted shares | | |
| Universal Venture Capital Investment Corp. | \$ 45,497 | \$ 44,483 |
| Der Yang Biotechnology Venture Capital Co., Ltd. | <u>2,770</u> | <u>4,323</u> |
| | <u>570,457</u> | <u>837,930</u> |
| Foreign investments | | |
| Unlisted shares | | |
| TBG Diagnostics Limited | <u>56,599</u> | <u>23,850</u> |
| | <u>\$ 627,056</u> | <u>\$ 861,780</u> |

(Concluded)

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | December 31 | |
|-----------------------------|----------------------|----------------------|
| | 2022 | 2021 |
| Investments in subsidiaries | \$ 30,059,124 | \$ 29,298,789 |
| Investments in associates | <u>1,264,985</u> | <u>1,331,782</u> |
| | <u>\$ 31,324,109</u> | <u>\$ 30,630,571</u> |

a. Investments in subsidiaries

| | December 31 | | | |
|--|----------------------|-------------------|----------------------|-------------------|
| | 2022 | | 2021 | |
| | Amount | Percentage | Amount | Percentage |
| Eternal Holdings Inc. | \$ 20,293,015 | 100 | \$ 19,118,841 | 100 |
| Eternal Global (BVI) Co., Ltd. | 4,990,787 | 100 | 4,673,760 | 100 |
| Mixville Holdings Inc. | 3,703,360 | 100 | 3,608,531 | 100 |
| New E Materials Co., Ltd. | 31,682 | 62.80 | 35,122 | 62.80 |
| Eternal Precision Mechanics Co., Ltd. | 826,296 | 100 (Note) | - | - |
| Eternal Electronic Material (Thailand) Co., Ltd. | 132,059 | 75 | 135,557 | 75 |
| CHOU-KOU Materials Co., Ltd. | 85,481 | 100 | 83,824 | 100 |
| Nikko-Materials Co., Ltd. (NM) | - | - | 1,634,652 | 100 |
| | | (Note) | | |
| Elga Europe S.r.l. | <u>(3,556)</u> | 72.68 | <u>8,502</u> | 72.68 |
| | <u>\$ 30,059,124</u> | | <u>\$ 29,298,789</u> | |

Note: The organizational restructuring was approved by the shareholders in their meeting in June 2022, and the Company spun off the related business (including assets, liabilities, and business value) of the Electric Equipment Department of Electronic Materials BU and its subsidiary NM to its wholly-owned subsidiary, Eternal Precision Mechanics Co., Ltd., to enhance shareholder's equity and future operation development since specialization will improve the operating performance. The spin-off base date was October 1, 2022. The carrying amounts of the Company's spin-off net assets was 550,000 thousand, and the relevant transaction was completed in October 2022. The details of the spin-off assets and liabilities were as follows:

| | Amount |
|---|-------------------|
| Current Assets | |
| Cash and cash equivalents | \$ 159,395 |
| Accounts receivable, net | 17,711 |
| Accounts receivable from related parties, net | 2,410 |
| Other receivables | 80,277 |
| Inventories | 34,170 |
| Other current assets - others | 17,660 |
| Non-current Assets | |
| Investments accounted for using the equity method | 300,150 |
| Property, plant and equipment | 2,998 |
| Intangible assets | 757 |
| Deferred tax assets | 693 |
| Other non-current assets - others | 74 |
| Current Liabilities | |
| Accounts payable | (27,458) |
| Other payables - others | (1,424) |
| Other current liabilities - others | <u>(37,413)</u> |
| Spin-off Net Assets | <u>\$ 550,000</u> |

b. Investments in associates

| | December 31 | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| Associates that are not individually material | <u>\$ 1,264,985</u> | <u>\$ 1,331,782</u> |

Information about associates that are not individually material was as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| The Company's share of | | |
| Net profit for the year | \$ 122,258 | \$ 284,305 |
| Other comprehensive income for the year | <u>11,451</u> | <u>(3,903)</u> |
| Total comprehensive income for the year | <u>\$ 133,709</u> | <u>\$ 280,402</u> |

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

| | <u>December 31</u> | |
|-----------------------------|---------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| Daxin Materials Corporation | <u>\$ 1,522,548</u> | <u>\$ 3,607,267</u> |

Refer to Statement 6 for the changes in investments accounted for using the equity method. Refer to Table 9 for the main businesses and countries of incorporation of the associates.

11. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2022

| | <u>Land</u> | <u>Buildings</u> | <u>Machinery and Equipment</u> | <u>Storage Equipment</u> | <u>Examination Equipment</u> | <u>Other Equipment</u> | <u>Construction in Progress and Equipment to be Inspected</u> | <u>Total</u> |
|--------------------------------------|---------------------|---------------------|------------------------------------|------------------------------|----------------------------------|----------------------------|---|----------------------|
| Carrying amount at January 1, 2022 | <u>\$ 2,516,584</u> | <u>\$ 914,334</u> | <u>\$ 1,873,960</u> | <u>\$ 165,822</u> | <u>\$ 373,106</u> | <u>\$ 40,619</u> | <u>\$ 416,278</u> | <u>\$ 6,300,703</u> |
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ 2,516,584 | \$ 3,675,736 | \$ 9,776,083 | \$ 692,193 | \$ 1,256,181 | \$ 162,025 | \$ 416,278 | \$ 18,495,080 |
| Additions | - | 111,968 | 335,470 | 26,345 | 93,519 | 16,337 | 658,957 | 1,242,596 |
| Disposals | - | (12,356) | (77,683) | (15,717) | (31,474) | (3,489) | - | (140,719) |
| Spin-off | - | - | (765) | - | - | - | (2,263) | (3,028) |
| Balance at December 31, 2022 | <u>\$ 2,516,584</u> | <u>\$ 3,775,348</u> | <u>\$ 10,033,105</u> | <u>\$ 702,821</u> | <u>\$ 1,318,226</u> | <u>\$ 174,873</u> | <u>\$ 1,072,972</u> | <u>\$ 19,593,929</u> |
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ - | \$ 2,761,402 | \$ 7,902,123 | \$ 526,371 | \$ 883,075 | \$ 121,406 | \$ - | \$ 12,194,377 |
| Depreciation | - | 141,583 | 374,962 | 21,276 | 84,310 | 15,491 | - | 637,622 |
| Disposals | - | (10,277) | (74,757) | (15,571) | (31,184) | (3,363) | - | (135,152) |
| Spin-off | - | - | (30) | - | - | - | - | (30) |
| Balance at December 31, 2022 | <u>\$ -</u> | <u>\$ 2,892,708</u> | <u>\$ 8,202,298</u> | <u>\$ 532,076</u> | <u>\$ 936,201</u> | <u>\$ 133,534</u> | <u>\$ -</u> | <u>\$ 12,696,817</u> |
| Carrying amount at December 31, 2022 | <u>\$ 2,516,584</u> | <u>\$ 882,640</u> | <u>\$ 1,830,807</u> | <u>\$ 170,745</u> | <u>\$ 382,025</u> | <u>\$ 41,339</u> | <u>\$ 1,072,972</u> | <u>\$ 6,897,112</u> |

For the Year Ended December 31, 2021

| | <u>Land</u> | <u>Buildings</u> | <u>Machinery and Equipment</u> | <u>Storage Equipment</u> | <u>Examination Equipment</u> | <u>Other Equipment</u> | <u>Construction in Progress and Equipment to be Inspected</u> | <u>Total</u> |
|--------------------------------------|---------------------|---------------------|------------------------------------|------------------------------|----------------------------------|----------------------------|---|----------------------|
| Carrying amount at January 1, 2021 | <u>\$ 2,479,633</u> | <u>\$ 905,135</u> | <u>\$ 1,900,441</u> | <u>\$ 170,873</u> | <u>\$ 367,811</u> | <u>\$ 42,272</u> | <u>\$ 279,283</u> | <u>\$ 6,145,448</u> |
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2021 | \$ 2,479,633 | \$ 3,544,428 | \$ 9,506,327 | \$ 679,211 | \$ 1,206,624 | \$ 154,751 | \$ 279,283 | \$ 17,850,257 |
| Additions | 41,200 | 159,836 | 365,880 | 26,748 | 89,170 | 13,088 | 136,995 | 832,917 |
| Disposals | (4,249) | (28,528) | (96,124) | (13,766) | (39,613) | (5,814) | - | (188,094) |
| Balance at December 31, 2021 | <u>\$ 2,516,584</u> | <u>\$ 3,675,736</u> | <u>\$ 9,776,083</u> | <u>\$ 692,193</u> | <u>\$ 1,256,181</u> | <u>\$ 162,025</u> | <u>\$ 416,278</u> | <u>\$ 18,495,080</u> |
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2021 | \$ - | \$ 2,639,293 | \$ 7,605,886 | \$ 508,338 | \$ 838,813 | \$ 112,479 | \$ - | \$ 11,704,809 |
| Depreciation | - | 149,226 | 389,542 | 31,767 | 83,713 | 14,656 | - | 668,904 |
| Disposals | - | (27,117) | (93,305) | (13,734) | (39,451) | (5,729) | - | (179,336) |
| Balance at December 31, 2021 | <u>\$ -</u> | <u>\$ 2,761,402</u> | <u>\$ 7,902,123</u> | <u>\$ 526,371</u> | <u>\$ 883,075</u> | <u>\$ 121,406</u> | <u>\$ -</u> | <u>\$ 12,194,377</u> |
| Carrying amount at December 31, 2021 | <u>\$ 2,516,584</u> | <u>\$ 914,334</u> | <u>\$ 1,873,960</u> | <u>\$ 165,822</u> | <u>\$ 373,106</u> | <u>\$ 40,619</u> | <u>\$ 416,278</u> | <u>\$ 6,300,703</u> |

The following items of property, plant and equipment are depreciated on a straight-line basis over their useful lives as follows:

| | |
|-------------------------|------------|
| Buildings | 5-50 years |
| Machinery and equipment | 3-20 years |
| Storage equipment | 5-20 years |
| Examination equipment | 5-15 years |
| Other equipment | 3-12 years |

Land (including those recorded as investment properties) held by the Company was revalued in 1980, 1990, 1997 and 2004. As of December 31, 2022 and 2021, the revaluation increments of the land were \$1,973,324 thousand.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

| | <u>December 31</u> | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Carrying amounts | | |
| Land | \$ 10,262 | \$ 10,517 |
| Buildings | 32,835 | 74,502 |
| Storage equipment | 7,797 | 3,453 |
| Other equipment | <u>14,792</u> | <u>20,116</u> |
| | <u>\$ 65,686</u> | <u>\$ 108,588</u> |
| | For the Year Ended December 31 | |
| | 2022 | 2021 |
| Additions to right-of-use assets | <u>\$ 24,779</u> | <u>\$ 32,042</u> |
| Depreciation charge for right-of-use assets | | |
| Land | \$ 491 | \$ 487 |
| Buildings | 15,607 | 21,508 |
| Storage equipment | 1,756 | 581 |
| Other equipment | <u>6,537</u> | <u>7,208</u> |
| | <u>\$ 24,391</u> | <u>\$ 29,784</u> |

b. Lease liabilities

| | <u>December 31</u> | |
|------------------|--------------------|------------------|
| | 2022 | 2021 |
| Carrying amounts | | |
| Current | <u>\$ 19,592</u> | <u>\$ 29,751</u> |
| Non-current | <u>\$ 43,726</u> | <u>\$ 79,774</u> |

Ranges of discount rates (%) for lease liabilities were as follows:

| | <u>December 31</u> | |
|-------------------|--------------------|-------------|
| | 2022 | 2021 |
| Land | 1.72-2.29 | 1.72-2.29 |
| Buildings | 0.63-4.60 | 0.63-3.64 |
| Storage equipment | 1.63-1.79 | 1.63-1.67 |
| Other equipment | 0.63-4.60 | 0.60-1.79 |

c. Other lease information

| | <u>For the Year Ended December 31</u> | |
|--|--|------------------|
| | 2022 | 2021 |
| Expenses relating to short-term and low-value asset leases | <u>\$ 36,763</u> | <u>\$ 15,981</u> |
| Total cash outflow for all leases arrangements (including short-term and low-value asset leases) | <u>\$ 63,356</u> | <u>\$ 47,330</u> |

13. INVESTMENT PROPERTIES

For the Year Ended December 31, 2022

| | Land | Buildings | Total |
|--|------------------|------------------|------------------|
| Carrying amount at January 1, 2022 | <u>\$ 17,412</u> | <u>\$ 33,946</u> | <u>\$ 51,358</u> |
| <u>Cost</u> | | | |
| Balance at January 1, 2022 and December 31, 2022 | <u>\$ 17,412</u> | <u>\$ 34,174</u> | <u>\$ 51,586</u> |
| <u>Accumulated depreciation and impairment</u> | | | |
| Balance at January 1, 2022 | \$ - | \$ 228 | \$ 228 |
| Depreciation | <u>-</u> | <u>684</u> | <u>684</u> |
| Balance at December 31, 2022 | <u>\$ -</u> | <u>\$ 912</u> | <u>\$ 912</u> |
| Carrying amount at December 31, 2022 | <u>\$ 17,412</u> | <u>\$ 33,262</u> | <u>\$ 50,674</u> |

For the Year Ended December 31, 2021

| | Land | Buildings | Total |
|--|------------------|------------------|------------------|
| Carrying amount at January 1, 2021 | <u>\$ 17,057</u> | <u>\$ -</u> | <u>\$ 17,057</u> |
| <u>Cost</u> | | | |
| Balance at January 1, 2021 | \$ 17,057 | \$ - | \$ 17,057 |
| Additions | <u>355</u> | <u>34,174</u> | <u>34,529</u> |
| Balance at December 31, 2021 | <u>\$ 17,412</u> | <u>\$ 34,174</u> | <u>\$ 51,586</u> |
| <u>Accumulated depreciation and impairment</u> | | | |
| Balance at January 1, 2021 | \$ - | \$ - | \$ - |
| Depreciation | <u>-</u> | <u>228</u> | <u>228</u> |
| Balance at December 31, 2021 | <u>\$ -</u> | <u>\$ 228</u> | <u>\$ 228</u> |
| Carrying amount at December 31, 2021 | <u>\$ 17,412</u> | <u>\$ 33,946</u> | <u>\$ 51,358</u> |

The investment properties were leased for terms of 5 years.

The maturity analysis of lease payments receivable under operating leases of investment properties is as follows:

| | December 31 | |
|----------------|--------------------|-------------|
| | 2022 | 2021 |
| Year 1 | \$ 1,714 | \$ - |
| Year 2 | 1,800 | - |
| Year 3 | 1,914 | - |
| Year 4 | 1,943 | - |
| Year 5 | 486 | - |
| Year 6 onwards | <u>-</u> | <u>-</u> |
| | <u>\$ 7,857</u> | <u>\$ -</u> |

The fair value of the investment properties was evaluated by the management of the Company with reference to market evidence of transaction prices for similar properties. The Company measured the fair value by using the Level 3 approach. The fair value was as follows:

| | December 31 | |
|------------|--------------------|-------------------|
| | 2022 | 2021 |
| Fair value | <u>\$ 122,656</u> | <u>\$ 125,815</u> |

The following items of investment properties are depreciated on a straight-line basis over their useful lives as follows:

Buildings 50 years

Operating income and expenses directly related to investment properties

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------|
| | 2022 | 2021 |
| Rental income | <u>\$ 1,002</u> | <u>\$ -</u> |
| Operating expenses directly related to investment properties | <u>\$ 684</u> | <u>\$ 228</u> |

14. INTANGIBLE ASSETS

For the Year Ended December 31, 2022

| | Computer Software | Other Intangible Assets | Total |
|------------------------------------|------------------------------|--|-------------------|
| Carrying amount at January 1, 2022 | <u>\$ 216,119</u> | <u>\$ 3,307</u> | <u>\$ 219,426</u> |
| <u>Cost</u> | | | |
| Balance at January 1, 2022 | \$ 246,968 | \$ 16,818 | \$ 263,786 |
| Additions | 6,070 | 13 | 6,083 |

(Continued)

| | Computer Software | Other Intangible Assets | Total |
|--|------------------------------|--|----------------------------------|
| Spin-off | \$ (1,146) | \$ - | \$ (1,146) |
| Balance at December 31, 2022 | <u>\$ 251,892</u> | <u>\$ 16,831</u> | <u>\$ 268,723</u> |
| <u>Accumulated amortization and impairment</u> | | | |
| Balance at January 1, 2022 | \$ 30,849 | \$ 13,511 | \$ 44,360 |
| Amortization expense | 16,104 | 1,499 | 17,603 |
| Spin-off | <u>(389)</u> | <u>-</u> | <u>(389)</u> |
| Balance at December 31, 2022 | <u>\$ 46,564</u> | <u>\$ 15,010</u> | <u>\$ 61,574</u> |
| Carrying amount at December 31, 2022 | <u>\$ 205,328</u> | <u>\$ 1,821</u> | <u>\$ 207,149</u> (Concluded) |

For the Year Ended December 31, 2021

| | Computer Software | Other Intangible Assets | Total |
|--|------------------------------|--|-------------------|
| Carrying amount at January 1, 2021 | <u>\$ 223,655</u> | <u>\$ 5,870</u> | <u>\$ 229,525</u> |
| <u>Cost</u> | | | |
| Balance at January 1, 2021 | \$ 239,226 | \$ 18,157 | \$ 257,383 |
| Additions | 7,742 | 47 | 7,789 |
| Disposals | <u>-</u> | <u>(1,386)</u> | <u>(1,386)</u> |
| Balance at December 31, 2021 | <u>\$ 246,968</u> | <u>\$ 16,818</u> | <u>\$ 263,786</u> |
| <u>Accumulated amortization and impairment</u> | | | |
| Balance at January 1, 2021 | \$ 15,571 | \$ 12,287 | \$ 27,858 |
| Amortization expense | 15,278 | 2,610 | 17,888 |
| Disposals | <u>-</u> | <u>(1,386)</u> | <u>(1,386)</u> |
| Balance at December 31, 2021 | <u>\$ 30,849</u> | <u>\$ 13,511</u> | <u>\$ 44,360</u> |
| Carrying amount at December 31, 2021 | <u>\$ 216,119</u> | <u>\$ 3,307</u> | <u>\$ 219,426</u> |

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|-------------------------|------------|
| Computer software | 2-20 years |
| Other intangible assets | 3-5 years |

15. BORROWINGS

a. Short-term borrowings

| Type of Borrowings | Interest Rate Range (%) | Amount |
|--------------------------------------|----------------------------|---------------------|
| December 31, 2022 | | |
| Unsecured loans | 0.58-5.29 | \$ 2,482,844 |
| Loans from related parties (Note 25) | 5.40-5.45 | <u>982,720</u> |
| | | <u>\$ 3,465,564</u> |
| December 31, 2021 | | |
| Unsecured loans | 0.58-0.85 | \$ 1,681,130 |
| Loans from related parties (Note 25) | 0.85 | <u>498,240</u> |
| | | <u>\$ 2,179,370</u> |

b. Long-term borrowings

| Type of Borrowings | Agreement Period and Interest Payable Schedule | Interest Rate Range (%) | Amount |
|--|---|----------------------------|---------------------|
| December 31, 2022 | | | |
| Unsecured loans | From October 2, 2017 to November 23, 2025. Interest is paid based on schedule. | 1.51-1.90 | \$ 8,834,000 |
| Less: Current portion of long-term borrowings | | | <u>(2,994,000)</u> |
| | | | <u>\$ 5,840,000</u> |

| Type of Borrowings | Agreement Period and Interest Payable Schedule | Interest Rate Range (%) | Amount |
|---|--|----------------------------|----------------|
| December 31, 2021 | | | |
| Unsecured loans | From September 11, 2017 to September 29, 2024. Interest is paid based on schedule. | 0.61-1.79 | \$ 8,808,000 |
| Long-term bills payable Commercial paper | Revolving credit, the period of the agreement is five years. Maturity date is October 2027. Only banking surcharge and interests have to be paid before the maturity date. | 1.13 | <u>850,000</u> |

(Continued)

| Type of Borrowings | Agreement Period and Interest Payable Schedule | Interest Rate Range (%) | Amount |
|--|--|----------------------------|---------------------|
| Less: Unamortized discounts | | | \$ (1,916) |
| | | | <u>848,084</u> |
| | | | 9,656,084 |
| Less: Current portion of long-term borrowings | | | (3,844,000) |
| | | | <u>\$ 5,812,084</u> |
| | | | (Concluded) |

The above commercial paper was issued by E.SUN Commercial Bank, Ltd. and guaranteed by a syndicated credit line from nine banks including E.SUN Commercial Bank, Ltd. and the Bank of Taiwan.

c. Facility agreements and financial covenants

- 1) During the period of the credit facility agreements, the Company and its subsidiaries made agreements with the creditors that the current ratio, liability ratio, interest coverage ratio and net tangible assets of the consolidated financial statements will be maintained within a certain specified ratio or amount and reviewed at least once a year. If the Company breaches these clauses, the bank and syndicated banks can cancel the credit line or declare that part or all of the loan together with accrued interest is immediately due. The Company was in compliance with the syndicated credit facility agreements based on its consolidated financial statements for the years ended December 31, 2022 and 2021.
- 2) As of December 31, 2022, the Company utilized the credits under signed facility agreements of the following banks.

| Bank | Currency | Credit line |
|--|----------|-------------|
| Bank SinoPac Co., Ltd. | NTD | \$ 600,000 |
| HSBC Bank (Taiwan) Limited | NTD | 900,000 |
| CTBC Bank Co., Ltd. | NTD | 300,000 |
| Far Eastern International Bank Co., Ltd. | NTD | 800,000 |

- 3) As of December 31, 2022, the Company executed syndicated credit facility agreements with the following banks:

In November 2017, the Company entered into a syndicated credit facility agreement with eight banks led by E.SUN Commercial Bank, Ltd. for a NT\$4,200,000 thousand credit line; the proceeds are for repaying liabilities and expanding medium-term working capital.

d. Bonds payable

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| 5 year secured bonds - issued at par value | | |
| Issued in November 2019; interest rate at 0.82%; principal repayable at maturity and interest payable annually | \$ 3,000,000 | \$ 3,000,000 |
| Less: Issuance cost | <u>(2,240)</u> | <u>(3,439)</u> |
| | <u>2,997,760</u> | <u>2,996,561</u> |
| 5 year secured bonds - issued at par value | | |
| Issued in August 2021; interest rate at 0.58%; principal repayable at maturity and interest payable annually | 2,500,000 | 2,500,000 |
| Less: Issuance cost | <u>(3,839)</u> | <u>(4,878)</u> |
| | <u>2,496,161</u> | <u>2,495,122</u> |
| | <u>\$ 5,493,921</u> | <u>\$ 5,491,683</u> |

In October 2019, the Company entered into a syndicated guarantee facility agreement with four banks led by the Bank of Taiwan for a NT\$3,024,600 thousand credit line; the proceeds are for the repayment of existing borrowings.

In July 2021, the Company entered into a syndicated credit facility agreement with nine banks including E.SUN Commercial Bank, Ltd. and the Bank of Taiwan for a NT\$6,660,000 thousand credit line; the proceeds are for the repayment of bank borrowings and the expansion of medium-term working capital.

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The Company has a defined benefit plan in accordance with the Labor Standards Act; the pension plan is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The Company has no right to influence the investment policy and strategy of the pension fund. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

| | December 31 | |
|---|--------------------|--------------------|
| | 2022 | 2021 |
| Present value of defined benefit obligation | \$ 1,788,879 | \$ 2,025,317 |
| Fair value of plan assets | <u>(1,241,808)</u> | <u>(1,230,747)</u> |
| Net defined benefit liabilities | <u>\$ 547,071</u> | <u>\$ 794,570</u> |
| Current (recorded as other payables - others) | \$ 4,918 | \$ 5,003 |
| Non-current (recorded as other non-current liabilities) | <u>542,153</u> | <u>789,567</u> |
| | <u>\$ 547,071</u> | <u>\$ 794,570</u> |

Movements of net defined benefit liabilities (assets) were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|---|--|--|--|
| Balance at January 1, 2022 | <u>\$ 2,025,317</u> | <u>\$ (1,230,747)</u> | <u>\$ 794,570</u> |
| Service cost | | | |
| Current service cost | 27,327 | - | 27,327 |
| Past service cost | 56,825 | - | 56,825 |
| Interest expense (income) | <u>12,152</u> | <u>(7,384)</u> | <u>4,768</u> |
| Recognized in profit or loss | <u>96,304</u> | <u>(7,384)</u> | <u>88,920</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (92,739) | (92,739) |
| Actuarial gain - changes in financial assumptions | (134,172) | - | (134,172) |
| Actuarial loss - experience adjustments | <u>12,223</u> | <u>-</u> | <u>12,223</u> |
| Recognized in other comprehensive income | <u>(121,949)</u> | <u>(92,739)</u> | <u>(214,688)</u> |
| Contributions from the employer | - | (107,994) | (107,994) |
| Benefits paid | <u>(210,793)</u> | <u>197,056</u> | <u>(13,737)</u> |
| | <u>(210,793)</u> | <u>89,062</u> | <u>(121,731)</u> |
| Balance at December 31, 2022 | <u>\$ 1,788,879</u> | <u>\$ (1,241,808)</u> | <u>\$ 547,071</u> |
| Balance at January 1, 2021 | <u>\$ 2,142,559</u> | <u>\$ (1,154,628)</u> | <u>\$ 987,931</u> |
| Service cost | | | |
| Current service cost | 30,826 | - | 30,826 |
| Interest expense (income) | <u>6,428</u> | <u>(3,464)</u> | <u>2,964</u> |
| Recognized in profit or loss | <u>37,254</u> | <u>(3,464)</u> | <u>33,790</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (17,593) | (17,593) |
| Actuarial loss - changes in population assumptions | 2,073 | - | 2,073 |

(Continued)

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|---|--|--|--|
| Actuarial gain - changes in financial assumptions | \$ (63,750) | \$ - | \$ (63,750) |
| Actuarial loss - experience adjustments | <u>22,016</u> | <u>-</u> | <u>22,016</u> |
| Recognized in other comprehensive income | <u>(39,661)</u> | <u>(17,593)</u> | <u>(57,254)</u> |
| Contributions from the employer | - | (116,835) | (116,835) |
| Benefits paid | <u>(114,835)</u> | <u>61,773</u> | <u>(53,062)</u> |
| | <u>(114,835)</u> | <u>(55,062)</u> | <u>(169,897)</u> |
| Balance at December 31, 2021 | <u>\$ 2,025,317</u> | <u>\$ (1,230,747)</u> | <u>\$ 794,570</u> (Concluded) |

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

| | <u>For the Year Ended December 31</u> | |
|--------------------|--|--------------------|
| | <u>2022</u> | <u>2021</u> |
| Operating costs | \$ 39,320 | \$ 16,243 |
| Operating expenses | <u>49,600</u> | <u>17,547</u> |
| | <u>\$ 88,920</u> | <u>\$ 33,790</u> |

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

1) Investment risk

The plan assets are invested in domestic and foreign equity securities, debt securities, and bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

| | December 31 | |
|--------------------------------------|---|---|
| | 2022 | 2021 |
| Discount rate (%) | 1.40 | 0.60 |
| Expected rate of salary increase (%) | 3.00 | 3.00 |
| Mortality rate (%) | Population was based on the 6th Taiwan Standard Ordinary Experience Mortality Table | Population was based on the 6th Taiwan Standard Ordinary Experience Mortality Table |
| Resignation rate (%) | 0.00-23.00 | 0.00-23.00 |
| Early retirement rate (%) | 0.10-99.00 | 0.10-99.00 |

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

| | December 31 | |
|----------------------------------|--------------------|--------------------|
| | 2022 | 2021 |
| Discount rate | | |
| 0.25% increase | <u>\$ (39,120)</u> | <u>\$ (48,117)</u> |
| 0.25% decrease | <u>\$ 40,418</u> | <u>\$ 49,819</u> |
| Expected rate of salary increase | | |
| 0.25% increase | <u>\$ 35,318</u> | <u>\$ 43,559</u> |
| 0.25% decrease | <u>\$ (34,419)</u> | <u>\$ (42,376)</u> |

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

| | December 31 | |
|--|--------------------|-------------------|
| | 2022 | 2021 |
| Expected contributions to the plan for the next year | <u>\$ 68,466</u> | <u>\$ 110,868</u> |
| Average duration of the defined benefit obligation | 10 years | 10 years |

17. EQUITY

a. Share capital

| | December 31 | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| Number of shares authorized (in thousands) | <u>1,800,000</u> | <u>1,800,000</u> |
| Shares authorized | <u>\$ 18,000,000</u> | <u>\$ 18,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>1,178,266</u> | <u>1,240,280</u> |
| Shares issued | <u>\$ 11,782,655</u> | <u>\$ 12,402,795</u> |

To adjust the capital structure and enhance the return on equity, the Company resolved to implement a capital reduction by cash refund in the shareholders' meeting in June 2022. The capital reduction percentage is 5%. The capital reduction amount was \$620,140 thousand, which cancels 62,014 thousand shares. The capital reduction reference date was August 5, 2022. After the capital reduction, the Company's paid-in capital was \$11,782,655 thousand.

b. Capital surplus

| | <u>December 31</u> | |
|---|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| May be used to offset a deficit, distributed as cash or transferred to share capital (Note) | | |
| Additional paid-in capital | \$ 309,017 | \$ 309,017 |
| Treasury share transactions | 19,642 | 19,642 |
| Difference between the consideration received or paid and the carrying amount of the subsidiaries during actual disposal or acquisition | <u>12,872</u> | <u>12,872</u> |
| | <u>341,531</u> | <u>341,531</u> |
| May be used to offset deficit only | | |
| Share of change in equities of associates or joint ventures | 27,357 | 27,357 |
| Others | <u>58</u> | <u>58</u> |
| | <u>27,415</u> | <u>27,415</u> |
| | <u>\$ 368,946</u> | <u>\$ 368,946</u> |

Note: The capital surplus could be used to offset a deficit or distributed as cash dividends or transferred to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital per year).

c. Retained earnings and dividend policy

The Company's Articles stipulate that annual profit should be utilized in the following order:

- 1) Payment of income tax.
- 2) Offset accumulated deficit.
- 3) Appropriate as legal capital reserve 10% of the remaining profits, until the accumulated legal reserve equals the paid-in capital.
- 4) Setting aside or reversing a special reserve in accordance with the shareholders' meeting or as requested by the authorities.
- 5) The remainder along with the unappropriated earnings are considered as distributable earnings. In accordance with the dividend policy, the proposal of earnings appropriation is prepared by the board of directors and resolved in the shareholders' meeting.

Amendments to the Articles of Incorporation of the Company had been approved in the shareholders' meeting in June 2022. The Company explicitly stipulates in the Articles of Incorporation to authorize the distributable dividends and bonuses in accordance with Article 240 of Company Act, or the legal reserve and capital surplus stipulated in Paragraph 1 of Article 241 of Company Act, in whole or in part may be paid in cash after a resolution has been approved by more than half of the directors with the attendance of more than two-thirds of the total number of directors, and a report of such distribution

shall be submitted to the shareholders' meeting.

The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's fully paid share capital, the excess may be transferred to capital or distributed in cash.

As the Company elected to use the exemptions in IFRS 1, \$426,930 thousand was set aside as special reserve. However, as some of the previously disclosed assets were disposed of in September 2021, \$645 thousand was reversed from the special reserve. Therefore, as of December 31, 2022 and 2021, the special reserve were \$426,285 thousand.

The appropriations of earnings for 2021 and 2020 had been approved in the shareholders' meetings in June 2022 and July 2021, respectively. The appropriations and dividends per share were as follows:

| | Appropriations of Earnings | | Dividends Per Share (NT\$) | |
|----------------------------|-----------------------------------|-------------|---------------------------------------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| Legal reserve | \$ 366,497 | \$ 248,249 | | |
| Special reserve (reversal) | 399,944 | (660,170) | | |
| Cash dividends | 1,860,419 | 1,860,419 | \$ 1.5 | \$ 1.5 |

The appropriations of earnings for 2022 that had been proposed by the Company's board of directors in March 2023 are as follows:

| | Appropriation of Earnings | Dividend Per Share (NT\$) |
|----------------------------|--------------------------------------|--------------------------------------|
| Legal reserve | \$ 279,764 | |
| Special reserve (reversal) | (204,218) | |
| Cash dividends | 1,413,919 | \$ 1.2 |

The above appropriation for cash dividends was resolved by the Company's board of directors. The others are subject to the resolution of the shareholders in their meeting to be held in June 2023.

d. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

| | For the Year Ended December 31 | |
|---|---------------------------------------|-----------------------|
| | 2022 | 2021 |
| Balance at beginning of the year | \$ (1,781,848) | \$ (1,320,826) |
| Recognized for the year | | |
| Exchange differences on translation of the financial statements of foreign operations | 406,080 | (446,456) |
| Share of exchange differences of associates and joint ventures accounted for using the equity method | <u>40,757</u> | <u>(14,566)</u> |
| Balance at end of the year | <u>\$ (1,335,011)</u> | <u>\$ (1,781,848)</u> |

Exchange differences on the translation of the financial statements of foreign operations arose mainly due to the impact of the exchange rate fluctuations of the RMB and JPY to the NTD on the subsidiaries in mainland China and Japan.

2) Unrealized gains and losses on financial assets at FVTOCI

| | <u>For the Year Ended December 31</u> | |
|---|--|-------------------|
| | 2022 | 2021 |
| Balance at beginning of the year | \$ <u>600,029</u> | \$ <u>538,306</u> |
| Recognized for the year | | |
| Unrealized gains and losses - equity instruments | (240,036) | 114,246 |
| Share of associates accounted for using the equity method | <u>(2,583)</u> | <u>23,106</u> |
| Other comprehensive income recognized for the year | <u>(242,619)</u> | <u>137,352</u> |
| Reclassification adjustment | | |
| Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal | - | <u>(75,629)</u> |
| Balance at end of the year | \$ <u>357,410</u> | \$ <u>600,029</u> |

18. REVENUE

| | <u>For the Year Ended December 31</u> | |
|---------------------------------------|--|----------------------|
| | 2022 | 2021 |
| Revenue from contracts with customers | | |
| Revenue from the sale of goods | \$ <u>16,211,752</u> | \$ <u>16,562,728</u> |

a. Contract balances

| | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|---|------------------------------|------------------------------|----------------------------|
| Notes and accounts receivable | \$ <u>3,600,765</u> | \$ <u>4,212,691</u> | \$ <u>3,420,117</u> |
| Contract liabilities (recorded as other current liabilities - others) | | | |
| Sale of goods | \$ <u>20,458</u> | \$ <u>38,961</u> | \$ <u>18,406</u> |

The changes in the balance of contract liabilities resulted primarily from the difference in timing between the satisfaction of performance obligations and customer payment.

Revenue recognized in the current year from the balance of contract liabilities at the beginning of the year is as follows:

| | <u>For the Year Ended December 31</u> | |
|---|--|------------------|
| | 2022 | 2021 |
| From the balance of contract liabilities at the beginning of the year | | |
| Sale of goods | \$ <u>38,710</u> | \$ <u>18,016</u> |

b. Disaggregation of revenue

| | Reportable Segments | | | | Total |
|---|-----------------------------|---------------------------------|---|-------------------|----------------------|
| | Resins Materials | Electronic Materials | High Performance Materials | Others | |
| <u>For the year ended December 31, 2022</u> | | | | | |
| Type of revenue | | | | | |
| Sale of goods | <u>\$ 8,306,915</u> | <u>\$ 3,949,661</u> | <u>\$ 3,818,917</u> | <u>\$ 136,259</u> | <u>\$ 16,211,752</u> |
| <u>For the year ended December 31, 2021</u> | | | | | |
| Type of revenue | | | | | |
| Sale of goods | <u>\$ 8,515,629</u> | <u>\$ 4,488,651</u> | <u>\$ 3,497,723</u> | <u>\$ 60,725</u> | <u>\$ 16,562,728</u> |

19. PROFIT BEFORE INCOME TAX

a. Other income

| | For the Year Ended December 31 | |
|------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Dividend income | \$ 63,281 | \$ 48,125 |
| Others (Note 25) | <u>550,612</u> | <u>590,071</u> |
| | <u>\$ 613,893</u> | <u>\$ 638,196</u> |

b. Other gains and losses

| | For the Year Ended December 31 | |
|--|---------------------------------------|--------------------|
| | 2022 | 2021 |
| Gain (loss) on disposal of property, plant and equipment | \$ (2,684) | \$ 72,412 |
| Net foreign exchange gains and losses | 52,386 | (58,087) |
| Finance fees | (41,927) | (32,029) |
| Others | <u>(110)</u> | <u>(4,834)</u> |
| | <u>\$ 7,665</u> | <u>\$ (22,538)</u> |

c. Finance costs

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Interest expense | | |
| Interest on loans | \$ 227,274 | \$ 173,170 |
| Interest on lease liabilities | 1,384 | 1,838 |
| Less: Amounts included in the cost of qualifying assets | <u>(12,628)</u> | <u>(5,548)</u> |
| | <u>\$ 216,030</u> | <u>\$ 169,460</u> |

Information about capitalized interest was as follows:

| | <u>For the Year Ended December 31</u> | |
|--|--|---------------------|
| | 2022 | 2021 |
| Capitalized interest amount | \$ <u>12,628</u> | \$ <u>5,548</u> |
| Capitalization rates (%) | 0.94-1.64 | 0.94-1.16 |
| d. Depreciation and amortization | | |
| | <u>For the Year Ended December 31</u> | |
| | 2022 | 2021 |
| Property, plant and equipment | \$ 637,622 | \$ 668,904 |
| Investment properties | 684 | 228 |
| Right-of-use assets | 24,391 | 29,784 |
| Intangible assets | <u>17,603</u> | <u>17,888</u> |
| | <u>\$ 680,300</u> | <u>\$ 716,804</u> |
| Analysis of depreciation by function | | |
| Operating costs | \$ 450,488 | \$ 482,068 |
| Operating expenses | <u>212,209</u> | <u>216,848</u> |
| | <u>\$ 662,697</u> | <u>\$ 698,916</u> |
| Analysis of amortization by function | | |
| Operating costs | \$ 311 | \$ 35 |
| Operating expenses | <u>17,292</u> | <u>17,853</u> |
| | <u>\$ 17,603</u> | <u>\$ 17,888</u> |
| e. Employee benefits | | |
| | <u>For the Year Ended December 31</u> | |
| | 2022 | 2021 |
| Short-term employee benefits | | |
| Salaries | \$ 2,135,174 | \$ 2,177,918 |
| Labor and health insurance | 188,132 | 171,977 |
| Others | <u>131,811</u> | <u>130,101</u> |
| | <u>2,455,117</u> | <u>2,479,996</u> |
| Post-employment benefits | | |
| Defined contribution plans | 67,563 | 64,440 |
| Defined benefit plans (Note 16) | <u>88,920</u> | <u>33,790</u> |
| | <u>156,483</u> | <u>98,230</u> |
| | <u>\$ 2,611,600</u> | <u>\$ 2,578,226</u> |
| Analysis by function | | |
| Operating costs | \$ 1,055,917 | \$ 1,085,985 |
| Operating expenses | <u>1,555,683</u> | <u>1,492,241</u> |
| | <u>\$ 2,611,600</u> | <u>\$ 2,578,226</u> |

f. Compensation of employees and remuneration of directors

The Company distributed the compensation of employees and remuneration of directors at rates of 4.5%(inclusive)-5.5% and no higher than 1%, respectively, of pre-tax profit prior to the deduction of the compensation of employees and remuneration of directors. The accrual amounts recognized in the financial statements and amounts approved by the Company's board of directors for the year ended December 31, 2022 are as follows:

| | Accrual Amounts Recognized in the Financial Statements | Amounts Approved by the Company's Board of Directors |
|---------------------------|---|---|
| Compensation of employees | <u>\$ 130,000</u> | <u>\$ 127,083</u> |
| Remuneration of directors | <u>\$ 18,250</u> | <u>\$ 18,356</u> |

The difference between the amounts recognized and approved by Company's board of directors is recorded as a change in accounting estimate and will be adjusted in the next year.

The compensation of employees and remuneration of directors (all in cash) approved by the Company's board of directors in March 2022 and 2021, and accrual amounts recognized in the standalone financial statements were as follows:

| | For the Year Ended December 31 | | | |
|--|---------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | 2021 | | 2020 | |
| | Compensation of Employees | Remuneration of Directors | Compensation of Employees | Remuneration of Directors |
| Amounts approved in the board of directors' meeting | \$ 176,559 | \$ 25,503 | \$ 123,628 | \$ 16,200 |
| Amounts recognized in the financial statements | <u>177,500</u> | <u>24,890</u> | <u>131,000</u> | <u>16,200</u> |
| Differences | <u>\$ (941)</u> | <u>\$ 613</u> | <u>\$ (7,372)</u> | <u>\$ -</u> |

The differences were adjusted to profit and loss for the years ended December 31, 2022 and 2021.

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

20. INCOME TAX

a. Income tax expense (benefit) recognized in profit or loss

| | For the Year Ended December 31 | |
|--------------------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Current tax | | |
| In respect of the current year | \$ 377,530 | \$ 240,249 |
| Adjustment for prior years | <u>3,950</u> | <u>7,461</u> |
| | <u>381,480</u> | <u>247,710</u> |
| Deferred tax | | |
| In respect of the current year | <u>(323,254)</u> | <u>(75,829)</u> |
| | <u>\$ 58,226</u> | <u>\$ 171,881</u> |

The reconciliation of accounting profit and income tax expense (benefit) was as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2022 | 2021 |
| Profit before income tax | <u>\$ 2,675,818</u> | <u>\$ 3,721,149</u> |
| Income tax expense calculated at the statutory rate | \$ 535,164 | \$ 744,230 |
| Effect from items adjusted by regulation | (436,327) | (494,224) |
| Income tax on unappropriated earnings | 20,439 | 17,377 |
| Investment credits | (65,000) | (102,963) |
| Adjustment for prior years | <u>3,950</u> | <u>7,461</u> |
| | <u>\$ 58,226</u> | <u>\$ 171,881</u> |

b. Income tax expense (benefit) recognized directly in equity

| | For the Year Ended December 31 | |
|---|---------------------------------------|-----------------|
| | 2022 | 2021 |
| Current tax | | |
| Disposal of investments in equity instruments at FVTOCI | <u>\$ (3,206)</u> | <u>\$ 3,206</u> |

c. Income tax expense (benefit) recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---|---------------------------------------|--------------------|
| | 2022 | 2021 |
| Deferred tax | | |
| Recognized for the year | | |
| Remeasurement of defined benefit plans | \$ 42,938 | \$ 11,451 |
| Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method | - | (328) |
| Unrealized gains and losses on financial assets at fair value through other comprehensive income | <u>6,550</u> | <u>(32,291)</u> |
| | <u>\$ 49,488</u> | <u>\$ (21,168)</u> |

d. Current tax assets and liabilities

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Current tax assets | | |
| Prepaid income tax (recorded as other current assets - others) | <u>\$ 180,880</u> | <u>\$ 156,700</u> |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 377,530</u> | <u>\$ 243,453</u> |

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2022

| | Balance at Beginning of the Year | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Spin-Off | Balance at End of the Year |
|--------------------------------------|---|---|---|-----------------|---------------------------------------|
| <u>Deferred tax assets</u> | | | | | |
| Temporary differences | | | | | |
| Defined benefit plan | \$ 136,567 | \$ (6,545) | \$ (42,938) | \$ - | \$ 87,084 |
| Others | <u>101,422</u> | <u>(3,911)</u> | <u>(6,550)</u> | <u>(693)</u> | <u>90,268</u> |
| | <u>\$ 237,989</u> | <u>\$ (10,456)</u> | <u>\$ (49,488)</u> | <u>\$ (693)</u> | <u>\$ 177,352</u> |
| <u>Deferred tax liabilities</u> | | | | | |
| Temporary differences | | | | | |
| Investment income | \$ (1,910,422) | \$ 337,595 | \$ - | \$ - | \$ (1,572,827) |
| Gains on land revaluation | (640,717) | - | - | - | (640,717) |
| Unrealized gains on foreign exchange | <u>-</u> | <u>(3,885)</u> | <u>-</u> | <u>-</u> | <u>(3,885)</u> |
| | <u>\$ (2,551,139)</u> | <u>\$ 333,710</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (2,217,429)</u> |

For the Year Ended December 31, 2021

| | Balance at Beginning of the Year | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Balance at End of the Year |
|--------------------------------------|---|---|---|---------------------------------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Defined benefit plan | \$ 175,175 | \$ (27,157) | \$ (11,451) | \$ 136,567 |
| Others | <u>57,554</u> | <u>10,884</u> | <u>32,984</u> | <u>101,422</u> |
| | <u>\$ 232,729</u> | <u>\$ (16,273)</u> | <u>\$ 21,533</u> | <u>\$ 237,989</u> |
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Investment income | \$(1,996,010) | \$ 85,953 | \$ (365) | \$(1,910,422) |
| Gains on land revaluation | (640,717) | - | - | (640,717) |
| Unrealized gains on foreign exchange | <u>(6,149)</u> | <u>6,149</u> | <u>-</u> | <u>-</u> |
| | <u>\$(2,642,876)</u> | <u>\$ 92,102</u> | <u>\$ (365)</u> | <u>\$(2,551,139)</u> |

f. Income tax assessment

The Company's income tax returns as of 2020 have been assessed by the tax authorities.

21. EARNINGS PER SHARE

| | <u>For the Year Ended December 31</u> | |
|----------------------------|---------------------------------------|----------------|
| | <u>2022</u> | <u>2021</u> |
| Basic earnings per share | <u>\$ 2.15</u> | <u>\$ 2.86</u> |
| Diluted earnings per share | <u>\$ 2.15</u> | <u>\$ 2.85</u> |

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

| | <u>For the Year Ended December 31</u> | |
|-------------------------|---------------------------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| Net profit for the year | <u>\$ 2,617,592</u> | <u>\$ 3,549,268</u> |

Number of ordinary shares

Unit: Thousand Shares

| | <u>For the Year Ended December 31</u> | |
|--|---------------------------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 1,214,964 | 1,240,280 |
| Effect of potentially dilutive ordinary shares | | |
| Compensation of employee | <u>5,068</u> | <u>5,189</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>1,220,032</u> | <u>1,245,469</u> |

Since the Company is allowed to settle the compensation paid to employees by cash or shares, the Company assumed that the entire amount of the compensation will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees in the meeting in the following year.

22. CASH FLOW INFORMATION

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Acquisition of property, plant and equipment | \$ 1,242,596 | \$ 832,917 |
| Decrease (increase) in payables for equipment | <u>(132,502)</u> | <u>39,846</u> |
| | 1,110,094 | 872,763 |
| Capitalized interest | <u>(12,628)</u> | <u>(5,548)</u> |
| Cash paid | <u>\$ 1,097,466</u> | <u>\$ 867,215</u> |

23. CAPITAL MANAGEMENT

The Company's objectives in capital management are to safeguard the Company's ability to continue as a going concern and to provide reasonable returns to shareholders, to maintain an optimal capital structure and to reduce the cost of capital. The Company's capital management policy is to maintain a strong capital base that maintains the confidence of investors, creditors and the market, as well as supports future operations. Capital includes the Company's shares, capital surplus, and retained earnings.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Financial assets and liabilities that are not measured at fair value are of short-term duration and are usually repriced at the current market interest rate. Either their carrying amounts are close to their fair value, or their fair value could not be reliably measured.

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

1) Fair value hierarchy

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------|------------|---------|------------|------------|
| <hr/> | | | | |
| December 31, 2022 | | | | |
| <hr/> | | | | |
| Financial instruments at FVTOCI | | | | |
| Equity instruments | | | | |
| Domestic and foreign listed shares | \$ 522,190 | \$ - | \$ - | \$ 522,190 |
| Domestic and foreign unlisted shares | \$ - | \$ - | \$ 104,866 | \$ 104,866 |
| <hr/> | | | | |
| December 31, 2021 | | | | |
| <hr/> | | | | |
| Financial instruments at FVTOCI | | | | |
| Equity instruments | | | | |
| Domestic and foreign listed shares | \$ 789,124 | \$ - | \$ - | \$ 789,124 |
| Domestic and foreign unlisted shares | \$ - | \$ - | \$ 72,656 | \$ 72,656 |

There was no transfer between Level 1 and Level 2 during the years ended December 31, 2022 and 2021.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the Year ended December 31, 2022

| <u>Financial assets</u> | <u>Stocks</u> <u>Financial Assets</u> <u>at FVTOCI</u> |
|--|--|
| Balance at beginning of the year | \$ 72,656 |
| Recognized in other comprehensive income | 33,448 |
| Disposal | <u>(1,238)</u> |
| Balance at end of the year | <u>\$ 104,866</u> |

For the Year ended December 31, 2021

| <u>Financial assets</u> | <u>Stocks</u> <u>Financial Assets</u> <u>at FVTOCI</u> |
|--|--|
| Balance at beginning of the year | \$ 221,673 |
| Recognized in other comprehensive income | <u>(149,017)</u> |
| Balance at end of the year | <u>\$ 72,656</u> |

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

The fair values of domestic and foreign unlisted shares were determined by the market approach and arrived at by reference to the type of industry, similar companies and the company's operations.

c. Categories of financial instruments

| | <u>December 31</u> | |
|--|--------------------|--------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Financial assets</u> | | |
| Financial assets at amortized cost (Note 1) | \$ 4,858,887 | \$ 5,089,088 |
| Financial assets at fair value through other comprehensive income - equity instruments | 627,056 | 861,780 |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortized cost (Note 2) | 19,815,617 | 19,849,115 |

Note 1: The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, refundable deposits (recorded as other non-current assets - others) and other financial assets - current and non-current (recorded as other current assets - other and other non-current assets - others).

Note 2: The balances included financial liabilities at amortized cost, which comprise short-term borrowings, notes and accounts payable, other payables - others, long-term borrowings (including current portion), bonds payable and guarantee deposits received (recorded as other non-current liabilities).

d. Financial risk management objectives and policies

The financial risk management objectives of the Company are mainly to manage the market risk, credit risk and liquidity risk related to operating activities and to verify, measure and manage the financial risks according to the policies. The Company has set up policies, procedures and internal controls to manage the risks in its financial activities. The significant financial activities of the Company are in accordance with relevant regulations and internal controls approved by the board of directors. During the execution of financial management activities, the Company should be in compliance with the relevant rules of financial risk management.

1) Market risk

a) Foreign currency risk

The Company's operating activities and net investments in foreign operation are denominated mainly in foreign currencies. Consequently, the Company is exposed to foreign currency risk. To protect against reductions in the value of foreign currency assets and against the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes derivative financial instruments, such as foreign exchange forward contracts, or maintain net foreign currency assets and liabilities. Foreign currency risk could be reduced but might not be fully eliminated by these methods.

For the carrying amounts of the Company's significant non-functional currency denominated monetary assets and liabilities at the balance sheet date, refer to Note 29.

Sensitivity analysis

The following table details the sensitivity to a 1% change in the functional currency against the relevant foreign currencies.

| | <u>Impact on Profit or Loss</u> | |
|---|---------------------------------|-----------|
| | 2022 | 2021 |
| <u>Foreign Currencies:Functional Currency</u> | | |
| Financial assets | | |
| Monetary items | | |
| USD:NTD | \$ 28,319 | \$ 28,390 |
| RMB:NTD | 4,076 | 4,394 |
| JPY:NTD | 2,228 | 2,338 |
| THB:NTD | 783 | 1,380 |
| Financial liabilities | | |
| Monetary items | | |
| USD:NTD | 16,368 | 23,725 |
| JPY:NTD | 2,351 | 1,919 |

b) Interest rate risk

The borrowings of the Company with fixed interest rates were not exposed to cash flow risk. The borrowings with floating interest rates were exposed to cash flow risk as effective interest rates change.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rate risks at the balance sheet dates were as follows:

| | December 31 | |
|-------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Fair value interest rate risk | | |
| Financial assets | \$ 30,000 | \$ 15,000 |
| Financial liabilities | 6,907,239 | 9,026,208 |
| Cash flow interest rate risk | | |
| Financial assets | 159,111 | 138,530 |
| Financial liabilities | 10,949,564 | 8,410,454 |

If interest rates had been 1% higher and all other variables were held constant, the Company's financial liabilities would have increased cash outflows by \$109,496 thousand and \$84,105 thousand for the years ended December 31, 2022 and 2021.

c) Other price risk

The Company was exposed to equity price risk through their investments in equity securities. If equity prices had been 1% higher/lower, other comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased by \$5,222 thousand and \$7,891 thousand, respectively, as a result of the changes in the fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk of financial loss to the Company arising from default by clients or counterparties of financial instruments on the contract obligations. According to the Company's policy, each operating entity in the Company is responsible for managing and analyzing the credit risk of each of their new clients before standard payment and delivery terms and conditions are offered. The credit quality of the customers is assessed through internal risk control procedures by taking into account their financial position, past experience and other factors, and the Company engages in credit enhancement by covering specific outstanding trade receivables by collateral. While the Company has procedures to monitor and limit exposure to credit risk on accounts receivable, there can be no assurance that such procedures will effectively limit credit risk and avoid losses. This risk is heightened during periods when economic conditions worsen.

3) Liquidity risk

The Company manages its liquidity risk by maintaining adequate cash and cash equivalents, bank borrowings, and so on. The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including principal and interest.

December 31, 2022

| | Less Than 1 Year | 1-2 Years | 2-3 Years | 3-5 Years | Over 5 Years | Total |
|---|----------------------|---------------------|---------------------|---------------------|-----------------|----------------------|
| Non-derivative financial liabilities | | | | | | |
| Short-term borrowings | \$ 3,537,224 | \$ - | \$ - | \$ - | \$ - | \$ 3,537,224 |
| Notes payable | 533 | - | - | - | - | 533 |
| Accounts payable | 1,044,917 | - | - | - | - | 1,044,917 |
| Other payables | 976,382 | - | - | - | - | 976,382 |
| Lease liabilities | 20,536 | 17,764 | 12,788 | 9,370 | 6,100 | 66,558 |
| Long-term borrowings (including current portion) | 5,779,436 | 499,929 | 2,729,239 | - | - | 9,008,604 |
| Financial guarantee liabilities | 1,958,721 | - | 1,228,400 | - | - | 3,187,121 |
| Bonds payable | 39,100 | 3,035,326 | 14,500 | 2,509,495 | - | 5,598,421 |
| | <u>\$ 13,356,849</u> | <u>\$ 3,553,019</u> | <u>\$ 3,984,927</u> | <u>\$ 2,518,865</u> | <u>\$ 6,100</u> | <u>\$ 23,419,760</u> |

December 31, 2021

| | Less Than 1 Year | 1-2 Years | 2-3 Years | 3-5 Years | Over 5 Years | Total |
|---|----------------------|---------------------|---------------------|---------------------|-----------------|----------------------|
| Non-derivative financial liabilities | | | | | | |
| Short-term borrowings | \$ 2,186,516 | \$ - | \$ - | \$ - | \$ - | \$ 2,186,516 |
| Notes payable | 29 | - | - | - | - | 29 |
| Accounts payable | 1,584,989 | - | - | - | - | 1,584,989 |
| Other payables | 936,960 | - | - | - | - | 936,960 |
| Lease liabilities | 31,661 | 27,719 | 23,105 | 21,159 | 6,101 | 109,745 |
| Long-term borrowings (including current portion) | 6,445,449 | 3,017,512 | 301,842 | - | - | 9,764,803 |
| Financial guarantee liabilities | 1,990,602 | - | - | 1,107,200 | - | 3,097,802 |
| Bonds payable | 39,100 | 39,100 | 3,035,326 | 2,523,995 | - | 5,637,521 |
| | <u>\$ 13,215,306</u> | <u>\$ 3,084,331</u> | <u>\$ 3,360,273</u> | <u>\$ 3,652,354</u> | <u>\$ 6,101</u> | <u>\$ 23,318,365</u> |

The amounts included above for financial guarantee liabilities were the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the balance sheet date, the Company considers that it is unlikely to pay the amount under the arrangement.

As of December 31, 2022, the Company's current liabilities exceeded its current assets by \$503,503 thousand. After the Company's management assessment, sufficient cash flows and credit lines were still available to cover operating activities.

25. TRANSACTIONS WITH RELATED PARTIES

a. Related party names and relationships

| <u>Related Party Name</u> | <u>Relationship</u> |
|---|---------------------|
| Eternal Chemical (China) Co., Ltd. | Subsidiary |
| Eternal Materials (Guangdong) Co., Ltd. | Subsidiary |
| Eternal Synthetic Resins (Changshu) Co., Ltd. | Subsidiary |
| Eternal Chemical (Tianjin) Co., Ltd. | Subsidiary |
| Eternal Electronic Material (Guangzhou) Co., Ltd. (Note) | Subsidiary |
| Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. (Note) | Subsidiary |
| Eternal Electronic (Suzhou) Co., Ltd. | Subsidiary |
| Eternal Specialty Materials (Zhuhai) Co., Ltd. | Subsidiary |
| Eternal Specialty Materials (Suzhou) Co., Ltd. | Subsidiary |
| Eternal Photoelectric Material Industry (Yingkou) Co., Ltd. | Subsidiary |
| Eternal (China) Investment Co., Ltd. | Subsidiary |
| CHOU-KOU Materials Co., Ltd. | Subsidiary |
| New E Materials Co., Ltd. | Subsidiary |

(Continued)

| <u>Related Party Name</u> | <u>Relationship</u> |
|--|---|
| Eternal Precision Mechanics Co., Ltd. | Subsidiary |
| Eternal Materials (Malaysia) Sdn. Bhd. | Subsidiary |
| Eternal Technology Corporation | Subsidiary |
| Eternal Electronic Material (Thailand) Co., Ltd. | Subsidiary |
| Nikko-Materials Co., Ltd. | Subsidiary |
| Elga Europe S.r.l. | Subsidiary |
| Eternal Holdings Inc. | Subsidiary |
| Eternal Nanyang Investment Co., Ltd. | Subsidiary |
| PT Eternal Materials Indonesia | Subsidiary |
| Allnex-Eternal Resins Corporation Limited | Associate |
| Daxin Materials Corporation | Associate |
| Covestro Eternal Resins (Far East) Ltd. | Associate |
| Polymics Ltd. | Associate |
| Mitsubishi Polyester Film Suzhou Co., Ltd. | Other related party |
| The Orchard Coporation of Taiwan Ltd. | The company whose chairman is second-degree relative of the chairman of the Company |
| Kwang Yang Motor Co., Ltd. | Key management personnel |
| Kao, Ying-Shih | First-degree relative of the chairman of the Company |

(Concluded)

Note: Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. merged with Eternal Electronic Material (Guangzhou) Co., Ltd. in the fourth quarter of 2021.

b. Operating revenue

| <u>Account Item</u> | <u>Related Party Category</u> | <u>For the Year Ended December 31</u> | |
|-----------------------------|-------------------------------|---------------------------------------|---------------------|
| | | <u>2022</u> | <u>2021</u> |
| Revenue from sales of goods | Subsidiaries | \$ 3,185,290 | \$ 3,467,812 |
| | Associates | 96,139 | 132,944 |
| | Key management personnel | 4,183 | - |
| | Other related parties | <u>102</u> | <u>-</u> |
| | | | <u>\$ 3,285,714</u> |

Sales to related parties were made at prices similar to that of general transactions. The collection terms are 60-150 days from the end of the month.

c. Purchase of goods

| <u>Related Party Category</u> | <u>For the Year Ended December 31</u> | |
|-------------------------------|---------------------------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Subsidiaries | \$ 829,173 | \$ 750,975 |
| Associates | 1,513 | 1,087 |
| Other related parties | <u>2,796</u> | <u>2,027</u> |
| | <u>\$ 833,482</u> | <u>\$ 754,089</u> |

Purchases from related parties were made at prices similar to that of general transactions. The payment terms are 30-120 days from the date after the goods are received.

d. Other income

| Related Party Category/Name | For the Year Ended December 31 | |
|---|--------------------------------|-------------------|
| | 2022 | 2021 |
| Subsidiaries | | |
| Eternal (China) Investment Co., Ltd. | \$ 117,685 | \$ 111,176 |
| Eternal Materials (Guangdong) Co., Ltd. | 47,767 | 70,515 |
| Others | 329,561 | 343,105 |
| Associates | 5,163 | 4,964 |
| Key management personnel | <u>-</u> | <u>9</u> |
| | <u>\$ 500,176</u> | <u>\$ 529,769</u> |

Inclusive of service fee, trademark license fee, technology license fee and endorsement/guarantee fee and so on.

e. Acquisition of property, plant and equipment

| Related Party Category/Name | Purchase price | |
|-----------------------------|--------------------------------|------------------|
| | For the Year Ended December 31 | |
| | 2022 | 2021 |
| Other related party | | |
| Kao, Ying-Shih | \$ <u>-</u> | \$ <u>38,100</u> |

The Company purchased the land near Luzhu Factory from the related party for the purpose of operation and expansion.

f. Receivables from related parties

| Account Item | Related Party Category/Name | December 31 | |
|---------------------|--|-------------------|-------------------|
| | | 2022 | 2021 |
| Accounts receivable | Subsidiaries | | |
| | CHOU-KOU Materials Co., Ltd. | \$ 138,751 | \$ 89,566 |
| | Eternal Chemical (China) Co., Ltd. | 116,819 | 93,302 |
| | Eternal Specialty Materials (Zhuhai) Co., Ltd. | 111,071 | 143,519 |
| | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | 96,629 | 77,739 |
| | Eternal (China) Investment Co., Ltd. | 71,953 | 95,666 |
| | Eternal Electronic Material (Thailand) Co., Ltd. | 70,707 | 128,144 |
| | Others | 250,608 | 250,288 |
| | Associates | <u>21,117</u> | <u>32,270</u> |
| | | <u>\$ 877,655</u> | <u>\$ 910,494</u> |

The receivables arose mainly from sales transactions; the receivables were not guaranteed, pledged and do not bear interest. For the years ended December 31, 2022 and 2021, the balance of loss allowance of accounts receivable from related parties is \$4 thousand and \$37 thousand, respectively.

| Account Item | Related Party Category/Name | December 31 | |
|-------------------|---|-------------------|-------------------|
| | | 2022 | 2021 |
| Other receivables | Subsidiaries | | |
| | Eternal (China) Investment Co., Ltd. | \$ 117,971 | \$ 111,934 |
| | Eternal Materials (Guangdong) Co., Ltd. | 47,844 | 70,973 |
| | Others | 271,646 | 346,654 |
| | Associates | 10 | 5 |
| | Key management personnel | - | 9 |
| | | <u>\$ 437,471</u> | <u>\$ 529,575</u> |

For the years ended December 31, 2022 and 2021, the balance of loss allowance of other receivables was \$29,800 thousand.

g. Payables to related parties

| Account Item | Related Party Category | December 31 | |
|------------------|------------------------|------------------|-------------------|
| | | 2022 | 2021 |
| Accounts payable | Subsidiaries | \$ 41,056 | \$ 159,845 |
| | Associates | - | 284 |
| | | <u>\$ 41,056</u> | <u>\$ 160,129</u> |

The payables arose mainly from purchase transactions; the payables were not guaranteed and did not bear interest.

h. Loans to related parties

| Account Item | Related Party Category | December 31 | |
|-------------------|--------------------------------|-------------------|-------------|
| | | 2022 | 2021 |
| Other receivables | Associates | | |
| | Eternal Technology Corporation | <u>\$ 307,100</u> | <u>\$ -</u> |

The Company provided loans to related parties at rates comparable to market interest rates.

i. Dividends receivable

The dividends receivable of Covestro Eternal Resins (Far East) Ltd. is \$53,452 thousand.

j. Loans from related parties

| Account Item | Related Party Category/Name | December 31 | |
|-----------------------|-----------------------------|--------------------------------|-------------------|
| | | 2022 | 2021 |
| Short-term borrowings | Subsidiaries | | |
| | Eternal Holdings Inc. | \$ <u>982,720</u> | \$ <u>498,240</u> |
| Account Item | Related Party Category/Name | For the Year Ended December 31 | |
| | | 2022 | 2021 |
| Interest expense | Subsidiaries | | |
| | Eternal Holdings Inc. | \$ <u>17,756</u> | \$ <u>94</u> |

The Company borrowed loans from related parties at rates comparable to market interest rates.

k. Endorsements/guarantees provided

As of December 31, 2022 and 2021, guarantees provided by the Company to the related parties for investment compliance were as follows:

| Related Party Category/Name | December 31 | |
|--|---------------------|--------------------|
| | 2022 | 2021 |
| Subsidiaries | | |
| Eternal Materials (Malaysia) Sdn. Bhd. | | |
| Amount endorsed | \$ 2,543,157 | \$ 2,156,492 |
| Amount utilized | <u>(1,430,588)</u> | <u>(1,310,314)</u> |
| | \$ <u>1,112,569</u> | \$ <u>846,178</u> |
| Eternal Holdings Inc. | | |
| Amount endorsed | \$ 540,496 | \$ 487,168 |
| Amount utilized | <u>-</u> | <u>-</u> |
| | \$ <u>540,496</u> | \$ <u>487,168</u> |
| Eternal Nanyang Investment Co., Ltd. | | |
| Amount endorsed | \$ 1,535,500 | \$ 1,384,000 |
| Amount utilized | <u>(1,305,175)</u> | <u>(1,134,880)</u> |
| | \$ <u>230,325</u> | \$ <u>249,120</u> |
| Others | | |
| Amount endorsed | \$ 490,962 | \$ 831,127 |
| Amount utilized | <u>(451,358)</u> | <u>(652,608)</u> |
| | \$ <u>39,604</u> | \$ <u>178,519</u> |

1. Remuneration of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Short-term employee benefits | \$ 116,845 | \$ 150,954 |
| Post-employment benefits | <u>5,372</u> | <u>479</u> |
| | <u>\$ 122,217</u> | <u>\$ 151,433</u> |

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company's assets pledged as customs guarantee were as follows:

| | December 31 | |
|--|--------------------|------------------|
| | 2022 | 2021 |
| Other financial assets - current and non-current (recorded as other current assets - others and other non-current assets - others) | | |
| Time deposit certificates | <u>\$ 30,000</u> | <u>\$ 15,000</u> |

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. The Company has issued but unused letters of credit with an aggregate amount of \$36,112 thousand as of December 31, 2022.
- b. The Company has contracts that were not yet incurred to purchase property, plant and equipment and intangible assets of \$647,222 thousand at December 31, 2022.

28. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currency of the Company and the exchange rates between the foreign currencies and the functional currency were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

| | Foreign Currency (In Thousands) | Exchange Rate | | Carrying Amount |
|--------------------------|--|----------------------|-----------|----------------------------|
| <u>December 31, 2022</u> | | | | |
| Financial assets | | | | |
| Monetary items | | | | |
| USD | \$ 92,213 | 30.7100 | (USD:NTD) | \$ 2,831,861 |
| RMB | 92,435 | 4.4094 | (RMB:NTD) | 407,587 |
| JPY | 958,853 | 0.2324 | (JPY:NTD) | 222,837 |

(Continued)

| | Foreign Currency (In Thousands) | Exchange Rate | | Carrying Amount |
|---|--|----------------------|-----------|----------------------------|
| Non-monetary items | | | | |
| Investments accounted for using the equity method | | | | |
| USD | \$ 943,900 | 30.7100 | (USD:NTD) | \$ 28,987,162 |
| JPY | 2,469,174 | 0.2324 | (JPY:NTD) | 573,836 |
| THB | 147,700 | 0.8941 | (THB:NTD) | 132,059 |
| Financial liabilities | | | | |
| Monetary items | | | | |
| USD | 53,299 | 30.7100 | (USD:NTD) | 1,636,812 |
| JPY | 1,011,735 | 0.2324 | (JPY:NTD) | 235,127 |
| <hr/> December 31, 2021 <hr/> | | | | |
| Financial assets | | | | |
| Monetary items | | | | |
| USD | 102,564 | 27.6800 | (USD:NTD) | 2,838,983 |
| RMB | 101,088 | 4.3463 | (RMB:NTD) | 439,361 |
| JPY | 972,960 | 0.2405 | (JPY:NTD) | 233,756 |
| THB | 165,353 | 0.8347 | (THB:NTD) | 138,020 |
| Non-monetary items | | | | |
| Investments accounted for using the equity method | | | | |
| USD | 989,925 | 27.6800 | (USD:NTD) | 27,401,132 |
| JPY | 9,150,437 | 0.2405 | (JPY:NTD) | 2,200,680 |
| THB | 162,402 | 0.8347 | (THB:NTD) | 135,557 |
| Financial liabilities | | | | |
| Monetary items | | | | |
| USD | 85,713 | 27.6800 | (USD:NTD) | 2,372,536 |
| JPY | 798,073 | 0.2405 | (JPY:NTD) | 191,937 |

(Concluded)

The total realized and unrealized foreign exchange gains and losses were a gain of \$52,386 thousand and a loss of \$58,087 thousand for the years ended December 31, 2022 and 2021, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currency.

30. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (Table 3)
- 4) Marketable securities acquired or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: (Table 4)

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: (Table 5)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7)
 - 9) Trading in derivative instruments: (Refer to Note 7 of the consolidated financial statement)
 - 10) Others: The business relationship between the parent company and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions (Table 8)
 - 11) Information on investees (Table 9)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment gain or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 10)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 6)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 6)
 - c) The amount of property transactions and the amount of the resultant gains or losses: None
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services (Table 8)
 - c. Information of major shareholders: list of the shareholders with ownership of 5 percent or greater, showing the names, the number of shares and percentage of ownership held by each shareholder (Table 11)

31. SEGMENT INFORMATION

Disclosure of the segment information in standalone financial statements is waived.

TABLE 1

Eternal Materials Co., Ltd. and Subsidiaries

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. (Note 1) | Lender | Borrower | Financial Statement Account | Related Party | Maximum Balance for the Period (Note 2) | Ending Balance (Note 3) | Actual Amount Drawn | Interest Rate (%) | Nature of Financing (Note 4) | Transaction Amount | Reason for Financing | Allowance for Bad Debt | Collateral | | Financing Limits for Each Borrowing Company | Financing Company's Total Financing Limit | Note |
|-----------------|--|---|--|---------------|---|-------------------------|---------------------|-------------------|------------------------------|--------------------|----------------------|------------------------|------------|-------|---|---|--------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | Eternal Materials Co., Ltd. | Eternal Technology Corporation | Other receivables from related parties | Y | \$ 614,200 | \$ 614,200 | \$ 307,100 | 5.450 | 2 | \$ - | Operating needs | \$ - | - | \$ - | \$ 1,238,020 | \$ 9,904,162 | Note 5 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal Chemical (Tianjin) Co., Ltd. | Other receivables from related parties | Y | 992,013 | 881,888 | 345,597 | 3.100-3.852 | 2 | - | Operating needs | - | - | - | 9,278,145 | 9,278,145 | Note 6 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal Synthetic Resins (Changshu) Co., Ltd. | Other receivables from related parties | Y | 811,647 | 793,699 | 352,358 | 3.100-3.852 | 2 | - | Operating needs | - | - | - | 9,278,145 | 9,278,145 | Note 6 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal Materials (Guangdong) Co., Ltd. | Other receivables from related parties | Y | 176,378 | 176,378 | - | - | 2 | - | Operating needs | - | - | - | 9,278,145 | 9,278,145 | Note 6 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal Specialty Materials (Suzhou) Co., Ltd. | Other receivables from related parties | Y | 450,915 | 440,944 | - | - | 2 | - | Operating needs | - | - | - | 9,278,145 | 9,278,145 | Note 6 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal Chemical (Chengdu) Co., Ltd. | Other receivables from related parties | Y | 1,763,776 | 1,763,776 | 648,476 | 3.100-3.852 | 2 | - | Operating needs | - | - | - | 9,278,145 | 9,278,145 | Note 6 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eterkon Semiconductor Materials Co., Ltd. | Other receivables from related parties | Y | 216,439 | 105,827 | 105,827 | 3.700 | 2 | - | Operating needs | - | - | - | 1,855,629 | 1,855,629 | Note 7 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal (China) Investment Co., Ltd. | Other receivables from related parties | Y | 901,830 | 881,888 | 65,845 | 3.100 | 2 | - | Operating needs | - | - | - | 9,278,145 | 9,278,145 | Note 6 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | Other receivables from related parties | Y | 661,416 | 661,416 | 3,578 | 3.100-3.330 | 2 | - | Operating needs | - | - | - | 9,278,145 | 9,278,145 | Note 6 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal Photoelectric Material Industry (Yingkou) Co., Ltd. | Other receivables from related parties | Y | 132,283 | 132,283 | - | - | 2 | - | Operating needs | - | - | - | 9,278,145 | 9,278,145 | Note 6 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal Optical Material (Suzhou) Co., Ltd. | Other receivables from related parties | Y | 88,189 | 88,189 | - | - | 2 | - | Operating needs | - | - | - | 9,278,145 | 9,278,145 | Note 6 |
| 2 | Eternal Materials (Guangdong) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | Other receivables from related parties | Y | 440,944 | 440,944 | - | - | 2 | - | Operating needs | - | - | - | 7,017,970 | 7,017,970 | Note 6 |
| 2 | Eternal Materials (Guangdong) Co., Ltd. | Eternal (China) Investment Co., Ltd. | Other receivables from related parties | Y | 657,915 | - | - | - | 2 | - | Operating needs | - | - | - | 7,017,970 | 7,017,970 | Note 6 |
| 2 | Eternal Materials (Guangdong) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | Other receivables from related parties | Y | 87,722 | - | - | - | 2 | - | Operating needs | - | - | - | 7,017,970 | 7,017,970 | Note 6 |
| 2 | Eternal Materials (Guangdong) Co., Ltd. | Eternal Optical Material (Suzhou) Co., Ltd. | Other receivables from related parties | Y | 438,610 | - | - | - | 2 | - | Operating needs | - | - | - | 7,017,970 | 7,017,970 | Note 6 |
| 2 | Eternal Materials (Guangdong) Co., Ltd. | Eternal Photoelectric Material Industry (Yingkou) Co., Ltd. | Other receivables from related parties | Y | 153,514 | - | - | - | 2 | - | Operating needs | - | - | - | 7,017,970 | 7,017,970 | Note 6 |
| 3 | Eternal Holdings Inc. | Eternal Technology Corporation | Other receivables from related parties | Y | 463,350 | 460,650 | 276,390 | 5.520-5.700 | 2 | - | Operating needs | - | - | - | 40,891,654 | 40,891,654 | Note 6 |
| 3 | Eternal Holdings Inc. | Eternal Materials Co., Ltd. | Other receivables from related parties | Y | 1,544,500 | 982,720 | 982,720 | 5.400-5.450 | 2 | - | Operating needs | - | - | - | 40,891,654 | 40,891,654 | Note 6 |
| 4 | Eternal (China) Investment Co., Ltd. | Eternal Chemical (China) Co., Ltd. | Other receivables from related parties | Y | 901,830 | 881,888 | - | - | 2 | - | Operating needs | - | - | - | 30,616,378 | 30,616,378 | Note 6 |
| 4 | Eternal (China) Investment Co., Ltd. | Eternal Chemical (Chengdu) Co., Ltd. | Other receivables from related parties | Y | 1,938,935 | 1,278,738 | 1,014,171 | 3.330 | 2 | - | Operating needs | - | - | - | 30,616,378 | 30,616,378 | Note 6 |
| 4 | Eternal (China) Investment Co., Ltd. | Eternal Chemical (Tianjin) Co., Ltd. | Other receivables from related parties | Y | 1,062,790 | 529,133 | 529,133 | 3.330 | 2 | - | Operating needs | - | - | - | 30,616,378 | 30,616,378 | Note 6 |
| 4 | Eternal (China) Investment Co., Ltd. | Eternal Synthetic Resins (Changshu) Co., Ltd. | Other receivables from related parties | Y | 721,464 | 352,755 | 352,755 | 3.330 | 2 | - | Operating needs | - | - | - | 30,616,378 | 30,616,378 | Note 6 |
| 4 | Eternal (China) Investment Co., Ltd. | Eternal Materials (Guangdong) Co., Ltd. | Other receivables from related parties | Y | 131,583 | - | - | - | 2 | - | Operating needs | - | - | - | 30,616,378 | 30,616,378 | Note 6 |
| 4 | Eternal (China) Investment Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | Long-term receivables from related parties | Y | 901,830 | 440,944 | 440,944 | 3.330 | 2 | - | Operating needs | - | - | - | 30,616,378 | 30,616,378 | Note 6 |
| 4 | Eternal (China) Investment Co., Ltd. | ESCO Specialty Coatings (Shanghai) Co., Ltd. | Other receivables from related parties | Y | 163,840 | 160,945 | 160,945 | 4.250 | 2 | - | Operating needs | - | - | - | 6,123,276 | 6,123,276 | Note 7 |
| 5 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | Other receivables from related parties | Y | 1,102,360 | 1,102,360 | 293,481 | 2.850-3.199 | 2 | - | Operating needs | - | - | - | 8,664,861 | 8,664,861 | Note 6 |

(Continued)

| No. (Note 1) | Lender | Borrower | Financial Statement Account | Related Party | Maximum Balance for the Period (Note 2) | Ending Balance (Note 3) | Actual Amount Drawn | Interest Rate (%) | Nature of Financing (Note 4) | Transaction Amount | Reason for Financing | Allowance for Bad Debt | Collateral | | Financing Limits for Each Borrowing Company | Financing Company's Total Financing Limit | Note |
|-----------------|--|--|--|---------------|--|----------------------------|---------------------|-------------------|---------------------------------|--------------------|----------------------|------------------------|------------|-------|---|---|--------|
| | | | | | | | | | | | | | Item | Value | | | |
| 5 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | ESCO Specialty Coatings (Shanghai) Co., Ltd. | Other receivables from related parties | Y | \$ 164,584 | \$ - | \$ - | - | 2 | \$ - | Operating needs | \$ - | - | \$ - | \$ 1,732,972 | \$ 1,732,972 | Note 7 |
| 6 | Eternal Specialty Materials (Suzhou) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | Other receivables from related parties | Y | 220,472 | 220,472 | - | - | 2 | - | Operating needs | - | - | - | 3,980,466 | 3,980,466 | Note 6 |

(Concluded)

Note 1: The representation of the numbers are as follows:

1. No. 0 represents the issuer.
2. Investees are numbered in order from No. 1.

Note 2: The maximum balance for the period had been approved by the board of directors, and translated into NTD using the exchange rate at the balance sheet date.

Note 3: The ending balance for the period had been approved by the board of directors, and translated into NTD using the exchange rate at the balance sheet date.

Note 4: Nature of financing is as follows:

1. Business relationship.
2. Short-term financing

Note 5: According to the Company's Operation Procedures for Lending Funds to Others, the Company's total financing limits and the financing limit for each borrowing company shall not exceed 40% and 5% of the net worth of the Company's financial statement of December 31, 2022, respectively.

Note 6: According to the financing company's Operation Procedures for Lending Funds to Others, either the financing limit for each borrowing company or the financing company's total financing limits shall not exceed 200% of the net worth of the financing company as of December 31, 2022, and it should be translated into NTD using the exchange rate at the balance sheet date.

Note 7: According to the financing company's Operation Procedures for Lending Funds to Others, either the financing limit for each borrowing company or the financing company's total financing limits shall not exceed 40% of the net worth of the financing company as of December 31, 2022, and it should be translated into NTD using the exchange rate at the balance sheet date.

Eternal Materials Co., Ltd. and Subsidiaries

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. (Note 1) | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsements /Guarantees Given on Behalf of Each Party | Maximum Amount Endorsements /Guarantees During the Period (Note 4) | Outstanding Endorsements /Guarantees the End of the Period (Note 5) | Actual Amount Drawn | Amount Endorsements /Guarantees by Collaterals | Ratio of Accumulated Endorsements /Guarantees to Net Equity per Latest Financial Statements (%) | Maximum Endorsements /Guarantees Amount Allowable | Endorsements /Guarantees Given by Parent on Behalf of Subsidiaries | Endorsements /Guarantees by Subsidiaries on Behalf of Parent | Endorsements /Guarantees Given on Behalf of Companies in Mainland China | Note |
|-----------------|-----------------------------|---|--------------------------|--|--|---|------------------------|---|---|--|--|---|---|---------------|
| | | Name | Relationship (Note 2) | | | | | | | | | | | |
| 0 | Eternal Materials Co., Ltd. | Eternal Holdings Inc. | 2 | \$ 24,760,404 | \$ 566,984 | \$ 540,496 | \$ - | \$ - | 2.18 | \$ 24,760,404 | Y | N | N | Notes 3 and 6 |
| 0 | Eternal Materials Co., Ltd. | Eternal Technology Corporation | 2 | 24,760,404 | 294,750 | - | - | - | - | 24,760,404 | Y | N | N | Notes 3 and 6 |
| 0 | Eternal Materials Co., Ltd. | Nikko-Materials Co., Ltd. | 2 | 24,760,404 | 85,120 | - | - | - | - | 24,760,404 | Y | N | N | Notes 3 and 6 |
| 0 | Eternal Materials Co., Ltd. | Eternal Materials (Malaysia) Sdn. Bhd. | 2 | 24,760,404 | 2,663,919 | 2,543,157 | 1,430,588 | - | 10.27 | 24,760,404 | Y | N | N | Notes 3 and 6 |
| 0 | Eternal Materials Co., Ltd. | Elga Europe S.r.l. | 2 | 24,760,404 | 490,962 | 490,962 | 451,358 | - | 1.98 | 24,760,404 | Y | N | N | Notes 3 and 6 |
| 0 | Eternal Materials Co., Ltd. | Eternal Nanyang Investment Co., Ltd. | 2 | 24,760,404 | 1,610,750 | 1,535,500 | 1,305,175 | - | 6.20 | 24,760,404 | Y | N | N | Notes 3 and 6 |

Note 1: The representation of the numbers are as follows:

- No. 0 represents the issuer.
- Investees are numbered in order from No. 1.

Note 2: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:

- Have a business relationship.
- The company owns directly or indirectly more than 50% of the voting shares of the company.
- Total ownership of more than 50% of the investee, either directly by the Company and/or indirectly by the Company's subsidiaries.
- Subsidiaries in which the Company owns directly or indirectly more than 90% of the voting shares.
- Companies where the Company is required to provide guarantees or endorsements for the construction project based on the construction contract.
- Companies where the shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership due to a joint venture.
- According to the Consumer Protection Act, companies that are required to provide guarantees and endorsements for joint and several liabilities if involved in the business of pre-sale of real estate.

Note 3: In accordance with the parent company's "Procedures for Provision of Endorsements and Guarantees", limit on endorsement/guarantee given on behalf of each party is 100% of the parent company's net worth based on the financial statements for the year ended December 31, 2022.

Note 4: Maximum amount endorsed/guaranteed during the period is approved by the board of directors, and translated into NTD using the exchange rate at the balance sheet date.

Note 5: Outstanding endorsements/guarantees at the end of the period are approved by the board of directors, and translated into NTD using the exchange rate at the balance sheet date.

Note 6: In accordance with the parent company's "Procedures for Provision of Endorsements and Guarantees", maximum endorsement/guarantee amount allowable is 100% of the parent company's net worth based on the financial statements for the year ended December 31, 2022.

Eternal Materials Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2022 | | | | Note |
|-----------------------------|--|---------------------------------------|---|-------------------|-----------------|-----------------------------|------------|------|
| | | | | Shares/Units | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Eternal Materials Co., Ltd. | President Securities Corp. (stock) | - | Financial assets at fair value through other comprehensive income - non-current | 33,366,767 | \$ 522,190 | 2.29 | \$ 522,190 | |
| | TBG Diagnostics Limited (stock) | - | Financial assets at fair value through other comprehensive income - non-current | 40,200,000 | 56,599 | 18.48 | 56,599 | |
| | Universal Venture Capital Investment Corp. (stock) | - | Financial assets at fair value through other comprehensive income - non-current | 5,000,000 | 45,497 | 4.15 | 45,497 | |
| | Der Yang Biotechnology Venture Capital Co., Ltd. (stock) | - | Financial assets at fair value through other comprehensive income - non-current | 230,096 | 2,770 | 11.11 | 2,770 | |
| | Hwa Nan Venture Capital Co., Ltd. (stock) | - | Financial assets at fair value through other comprehensive income - non-current | 57,438 | - | 10.60 | - | |
| Mixville Holdings Inc. | Grace THW Holding Limited (stock) | - | Financial assets at fair value through other comprehensive income - non-current | 1,900,000 | 195,591 | Note | 195,591 | |
| | Pacven Walden Ventures V, L.P. (mutual fund) | - | Financial assets at fair value through profit or loss - non-current | - | 9,402 | Note | 9,402 | |

Note: The percentage of ownership is less than 1%.

Eternal Materials Co., Ltd. and Subsidiaries

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Relationship | Beginning Balance | | Acquisition (Note 1) | | Disposal | | | | Ending Balance (Note 2) | |
|---------------------------------------|--|---|---------------------------------------|--------------|-------------------|------------|----------------------|------------|--------------|---------|----------------|-----------------------|-------------------------|------------|
| | | | | | Shares/Units | Amount | Shares/Units | Amount | Shares/Units | Amount | Carrying Value | Gain/Loss on Disposal | Shares/Units | Amount |
| Eteranl (China) Investment Co., Ltd. | Eternal Material Industry (Tongling) Co., Ltd. | Investments accounted for using the equity method | Note 3 | Subsidiary | Note 4 | \$ 435,274 | Note 4 | \$ 439,300 | - | \$ - | \$ - | \$ - | Note 4 | \$ 863,511 |
| Eteranl (China) Investment Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | Investments accounted for using the equity method | Note 3 | Subsidiary | Note 4 | 1,729,220 | Note 4 | 436,900 | - | - | - | - | Note 4 | 2,145,218 |
| Eternal Holdings Inc. | Eternal Nanyang Investment Co., Ltd. | Investments accounted for using the equity method | Note 3 | Subsidiary | 18,450,000 | 367,251 | 9,900,000 | 300,960 | - | - | - | - | 28,350,000 | 444,197 |
| Eternal Nanyang Investment Co., Ltd. | Eternal Materials (Malaysia) Sdn. Bhd. | Investments accounted for using the equity method | Note 3 | Subsidiary | 347,324,000 | 1,538,886 | 48,598,000 | 334,400 | - | - | - | - | 395,922,000 | 1,791,753 |
| Eternal Materials Co., Ltd. | Eternal Precision Mechanics Co., Ltd. | Investments accounted for using the equity method | Note 5 | Subsidiary | - | - | 52,000,000 | 550,000 | - | - | - | - | 52,000,000 | 826,296 |
| Eternal Materials Co., Ltd. | Nikko-Materials Co., Ltd. | Investments accounted for using the equity method | Eternal Precision Mechanics Co., Ltd. | Subsidiary | 11,520 | 1,634,652 | - | - | (11,520) | 300,150 | (300,150) | Note 5 | - | - |
| Eternal Precision Mechanics Co., Ltd. | Nikko-Materials Co., Ltd. | Investments accounted for using the equity method | Eternal Materials Co., Ltd. | Subsidiary | - | - | 11,520 | 300,150 | - | - | - | - | 11,520 | 660,041 |

Note 1: The acquisition was issuance of shares for cash or reorganization, and the amounts were translated into NTD using the exchange rate at the reference date.

Note 2: The ending balance included the increased investment amount, reorganization, share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method and exchange differences on translation of the financial statements of foreign operations.

Note 3: The Company had capital increase.

Note 4: No share was issued.

Note 5: Reorganization.

Eternal Materials Co., Ltd. and Subsidiaries

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer | Property | Event Date | Transaction Amount | Payment Status | Counterparty | Relationship | Information on Previous Title Transfer If Counterparty Is A Related Party | | | | Pricing Reference | Purpose of Acquisition | Other Terms |
|--|---|-------------------|--------------------|--------------------------------------|-------------------------------------|--------------------|---|--------------|------------------|--------|--|------------------------|-------------|
| | | | | | | | Property Owner | Relationship | Transaction Date | Amount | | | |
| Eternal Electronic (Suzhou) Co., Ltd. | Engaging the non-related party to build the R&D building on own land. | April 19, 2022 | \$ 576,810 | Payment in accordance with the terms | Zhongdi Construction Group Co., Ltd | Non- related party | - | - | - | \$ - | Price negotiation in accordance with the terms | Self-use | None |
| Eternal Materials (Malaysia) Sdn. Bhd. | Right-of-use land | November 11, 2022 | 324,180 | Payment in accordance with the terms | PTS HARTA SDN. BHD. | Non- related party | - | - | - | - | Evaluated by the professional appraisal institutions and executed by the internal level of authority | Self-use | None |

TABLE 6

Eternal Materials Co., Ltd. and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company name | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|--|--|------------------------------------|--------------------------|------------|------------|---------------|----------------------|--------------|-------------------------------------|------------|------|
| | | | Purchases/Sales (Note 2) | Amount | % to Total | Payment Terms | Unit Price | Payment Term | Ending Balance | % to Total | |
| Eternal Materials Co., Ltd. | Eternal Specialty Materials (Zhuhai) Co., Ltd. | Subsidiary | Sales | \$ 651,094 | 4 | Note 1 | \$ - | - | \$ 111,071 | 3 | |
| | Eternal Materials (Guangdong) Co., Ltd. | Subsidiary | Sales | 251,561 | 2 | Note 1 | - | - | 38,649 | 1 | |
| | Nikko-Materials Co., Ltd. | Subsidiary | Sales | 255,734 | 2 | Note 1 | - | - | 46,253 | 1 | |
| | Eternal Electronic Material (Thailand) Co., Ltd. | Subsidiary | Sales | 246,754 | 2 | Note 1 | - | - | 70,707 | 2 | |
| | CHOU-KOU Materials Co., Ltd. | Subsidiary | Sales | 400,952 | 2 | Note 1 | - | - | 138,751 | 4 | |
| | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Subsidiary | Sales | 320,649 | 2 | Note 1 | - | - | 96,629 | 3 | |
| | Eternal (China) Investment Co., Ltd. | Subsidiary | Sales | 382,043 | 2 | Note 1 | - | - | 71,953 | 2 | |
| | Eternal Chemical (China) Co., Ltd. | Subsidiary | Sales | 264,942 | 2 | Note 1 | - | - | 116,819 | 3 | |
| | Eternal Technology Corporation | Subsidiary | Sales | 111,043 | 1 | Note 1 | - | - | 33,429 | 1 | |
| | Eternal Chemical (Tianjin) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | Sister company | Sales | 407,527 | 16 | Note 1 | - | - | 80,142 | 6 |
| Eternal Materials (Guangdong) Co., Ltd. | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Sister company | Sales | 508,039 | 10 | Note 1 | - | - | 88,263 | 4 | |
| | Eternal Chemical (China) Co., Ltd. | Sister company | Sales | 289,690 | 6 | Note 1 | - | - | 54,783 | 3 | |
| | Allnex-Eternal Resins (Guangdong) Co., Ltd. | Associate | Sales | 409,452 | 8 | Note 1 | - | - | 116,029 | 5 | |
| Eternal Specialty Materials (Suzhou) Co., Ltd. | Eternal Materials Co., Ltd. | Ultimate parent company | Sales | 286,969 | 8 | Note 1 | - | - | 4,989 | - | |
| | Eternal Electronic (Suzhou) Co., Ltd. | Sister company | Sales | 234,497 | 7 | Note 1 | - | - | 89,700 | 9 | |
| Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | Sister company | Sales | 588,279 | 15 | Note 1 | - | - | 285,728 | 14 | |
| | Eternal Electronic Material (Thailand) Co., Ltd. | Sister company | Sales | 102,138 | 3 | Note 1 | - | - | 17,527 | 1 | |
| Eternal Specialty Materials (Zhuhai) Co., Ltd. | Eternal Materials Co., Ltd. | Ultimate parent company | Sales | 297,040 | 5 | Note 1 | - | - | 16,078 | 1 | |
| | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Sister company | Sales | 144,190 | 3 | Note 1 | - | - | 43,631 | 3 | |

(Continued)

| Company name | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|------------------------------------|--|-------------------------|--------------------------|------------|------------|---------------|----------------------|--------------|-------------------------------------|------------|------|
| | | | Purchases/Sales (Note 2) | Amount | % to Total | Payment Terms | Unit Price | Payment Term | Ending Balance | % to Total | |
| Nikko-Materials Co., Ltd. | Eternal Electronic Material (Thailand) Co., Ltd. | Sister company | Sales | \$ 128,633 | 3 | Note 1 | \$ - | - | \$ 205 | - | |
| | Eternal Materials Co., Ltd. | Ultimate parent company | Sales | 109,349 | 3 | Note 1 | - | - | 23,521 | 2 | |
| Eternal Chemical (China) Co., Ltd. | Allnex-Eternal Resins (Guangdong) Co., Ltd. | Associate | Sales | 170,494 | 3 | Note 1 | - | - | 84,644 | 3 | |

(Concluded)

Note 1: The terms are similar to that of non-related party transactions.

Note 2: For transactions between related parties, only one side of the transaction was disclosed.

Eternal Materials Co., Ltd. and Subsidiaries

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Doubtful Accounts | Note |
|--|--|----------------|----------------|---------------|----------|------------------------|---------------------------------------|---------------------------------|------|
| | | | | | Amount | Actions Taken | | | |
| Eternal Materials Co., Ltd. | CHOU-KOU Materials Co., Ltd. | Subsidiary | \$ 138,751 | 3.49 | \$ 4,977 | Collected subsequently | \$ 34,852 | \$ - | |
| | Eternal Specialty Materials (Zhuhai) Co., Ltd. | Subsidiary | 111,071 | 5.11 | - | - | 50,496 | - | |
| | Eternal Chemical (China) Co., Ltd. | Subsidiary | 116,819 | 2.52 | - | - | 26,816 | - | |
| | Eternal (China) Investment Co., Ltd. | Subsidiary | 117,685 | - | - | - | - | - | |
| Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | Sister company | 285,728 | 1.83 | 101,933 | Collected subsequently | 59,984 | - | |
| Eternal Precision Mechanics Co., Ltd. | Nikko-Materials Co., Ltd. | Subsidiary | 101,462 | 1.24 | - | - | - | - | |
| Eternal Materials (Guangdong) Co., Ltd. | Allnex-Eternal Resins (Guangdong) Co., Ltd. | Associate | 116,029 | 3.43 | 15,656 | Collected subsequently | 32,737 | 128 | |

Note : Other receivables.

TABLE 8

Eternal Materials Co., Ltd. and Subsidiaries

**INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. (Note 1) | Company Name | Counterparty | Relationship (Note 2) | Transactions Details | | | |
|-----------------|--|--|--------------------------|--|------------|--------|-------------------------------------|
| | | | | Financial Statement Item (Note 5) | Amount | Terms | % to Total Revenues or Assets |
| 0 | Eternal Materials Co., Ltd. | Eternal Specialty Materials (Zhuhai) Co., Ltd. | 1 | Revenue from sales of goods | \$ 651,094 | Note 3 | 1.33 |
| 0 | Eternal Materials Co., Ltd. | Eternal Materials (Guangdong) Co., Ltd. | 1 | Revenue from sales of goods | 251,561 | Note 3 | 0.51 |
| 0 | Eternal Materials Co., Ltd. | Nikko-Materials Co., Ltd. | 1 | Revenue from sales of goods | 255,734 | Note 3 | 0.52 |
| 0 | Eternal Materials Co., Ltd. | Eternal Electronic Material (Thailand) Co., Ltd. | 1 | Revenue from sales of goods | 246,754 | Note 3 | 0.50 |
| 0 | Eternal Materials Co., Ltd. | CHOU-KOU Materials Co., Ltd. | 1 | Revenue from sales of goods | 400,952 | Note 3 | 0.82 |
| 0 | Eternal Materials Co., Ltd. | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | 1 | Revenue from sales of goods | 320,649 | Note 3 | 0.65 |
| 0 | Eternal Materials Co., Ltd. | Eternal (China) Investment Co., Ltd. | 1 | Revenue from sales of goods | 382,043 | Note 3 | 0.78 |
| 0 | Eternal Materials Co., Ltd. | Eternal Chemical (China) Co., Ltd. | 1 | Revenue from sales of goods | 264,942 | Note 3 | 0.54 |
| 0 | Eternal Materials Co., Ltd. | Eternal Technology Corporation | 1 | Revenue from sales of goods | 111,043 | Note 3 | 0.23 |
| 0 | Eternal Materials Co., Ltd. | Eternal (China) Investment Co., Ltd. | 1 | Other income | 117,685 | Note 3 | 0.24 |
| 0 | Eternal Materials Co., Ltd. | CHOU-KOU Materials Co., Ltd. | 1 | Notes and accounts receivable from related parties | 138,751 | Note 3 | 0.23 |
| 0 | Eternal Materials Co., Ltd. | Eternal Specialty Materials (Zhuhai) Co., Ltd. | 1 | Notes and accounts receivable from related parties | 111,071 | Note 3 | 0.19 |
| 0 | Eternal Materials Co., Ltd. | Eternal Chemical (China) Co., Ltd. | 1 | Notes and accounts receivable from related parties | 116,819 | Note 3 | 0.20 |
| 0 | Eternal Materials Co., Ltd. | Eternal (China) Investment Co., Ltd. | 1 | Other receivables from related parties | 117,685 | Note 3 | 0.20 |
| 0 | Eternal Materials Co., Ltd. | Eternal Technology Corporation | 1 | Other receivables from related parties | 307,100 | Note 4 | 0.52 |
| 1 | Eternal Holdings Inc. | Eternal Technology Corporation | 1 | Other receivables from related parties | 276,390 | Note 4 | 0.46 |
| 1 | Eternal Holdings Inc. | Eternal Materials Co., Ltd. | 2 | Other receivables from related parties | 982,720 | Note 4 | 1.65 |
| 2 | Eternal (China) Investment Co., Ltd. | Eternal Chemical (Chengdu) Co., Ltd. | 1 | Other receivables from related parties | 1,014,171 | Note 4 | 1.71 |
| 2 | Eternal (China) Investment Co., Ltd. | Eternal Chemical (Tianjin) Co., Ltd. | 1 | Other receivables from related parties | 529,133 | Note 4 | 0.89 |
| 2 | Eternal (China) Investment Co., Ltd. | Eternal Synthetic Resins (Changshu) Co., Ltd. | 1 | Other receivables from related parties | 352,755 | Note 4 | 0.59 |
| 2 | Eternal (China) Investment Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | 1 | Other receivables from related parties | 440,944 | Note 4 | 0.74 |
| 3 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | 3 | Revenue from sales of goods | 588,279 | Note 3 | 1.20 |
| 3 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Electronic Material (Thailand) Co., Ltd. | 3 | Revenue from sales of goods | 102,138 | Note 3 | 0.21 |
| 3 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | 3 | Notes and accounts receivable from related parties | 285,728 | Note 3 | 0.48 |

(Continued)

| No. (Note 1) | Company Name | Counterparty | Relationship (Note 2) | Transactions Details | | | |
|-----------------|--|--|--------------------------|--|------------|--------|-------------------------------------|
| | | | | Financial Statement Item (Note 5) | Amount | Terms | % to Total Revenues or Assets |
| 3 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | 3 | Other receivables from related parties | \$ 293,481 | Note 4 | 0.49 |
| 4 | Eternal Chemical (China) Co., Ltd. | Eternal Chemical (Tianjin) Co., Ltd. | 3 | Other receivables from related parties | 345,597 | Note 4 | 0.58 |
| 4 | Eternal Chemical (China) Co., Ltd. | Eternal Synthetic Resins (Changshu) Co., Ltd. | 3 | Other receivables from related parties | 352,358 | Note 4 | 0.59 |
| 4 | Eternal Chemical (China) Co., Ltd. | Eternal Chemical (Chengdu) Co., Ltd. | 3 | Other receivables from related parties | 648,476 | Note 4 | 1.09 |
| 5 | Eternal Materials (Guangdong) Co., Ltd. | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | 3 | Revenue from sales of goods | 508,039 | Note 3 | 1.04 |
| 5 | Eternal Materials (Guangdong) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | 3 | Revenue from sales of goods | 289,690 | Note 3 | 0.59 |
| 6 | Eternal Specialty Materials (Suzhou) Co., Ltd. | Eternal Materials Co., Ltd. | 2 | Revenue from sales of goods | 286,969 | Note 3 | 0.59 |
| 6 | Eternal Specialty Materials (Suzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | 3 | Revenue from sales of goods | 234,497 | Note 3 | 0.48 |
| 7 | Eternal Specialty Materials (Zhuhai) Co., Ltd. | Eternal Materials Co., Ltd. | 2 | Revenue from sales of goods | 297,040 | Note 3 | 0.61 |
| 7 | Eternal Specialty Materials (Zhuhai) Co., Ltd. | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | 3 | Revenue from sales of goods | 144,190 | Note 3 | 0.29 |
| 8 | Eternal Chemical (Tianjin) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | 3 | Revenue from sales of goods | 407,527 | Note 3 | 0.83 |
| 9 | Nikko-Materials Co., Ltd | Eternal Electronic Material (Thailand) Co., Ltd. | 3 | Revenue from sales of goods | 128,633 | Note 3 | 0.26 |
| 9 | Nikko-Materials Co., Ltd | Eternal Materials Co., Ltd. | 2 | Revenue from sales of goods | 109,349 | Note 3 | 0.22 |
| 10 | Eternal Precision Mechanics Co., Ltd. | Nikko-Materials Co., Ltd. | 1 | Notes and accounts receivable from related parties | 101,462 | Note 3 | 0.17 |

(Concluded)

Note 1: The transaction information of the Company and its subsidiaries is numbered in column "No.". The representation of the numbers are as follows:

1. No. 0 represents the Company.
2. Subsidiaries are numbered in order from No. 1.

Note 2: The relationships among the parties to the transaction are as follows:

1. The parent company to subsidiary.
2. The subsidiary to the parent company.
3. The subsidiary to another subsidiary.

Note 3: The terms are similar to non-related party transactions.

Note 4: In accordance with the Operational Procedures for Lending Funds to Others.

Note 5: For transactions between related parties, only one side of the transaction was disclosed.

Eternal Materials Co., Ltd. and Subsidiaries

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2022 | | | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note |
|---------------------------------------|---|------------------------|--|----------------------------|-------------------|---------------------------------|-----------------------------|-----------------|-----------------------------------|------------------------|---------------|
| | | | | December 31, 2022 | December 31, 2021 | Number of Shares | Percentage of Ownership (%) | Carrying Amount | | | |
| Eternal Materials Co., Ltd. | Eternal Holdings Inc. | Samoa | International investment | \$ 6,135,961 | \$ 6,259,870 | 200,108,859 | 100.00 | \$ 20,293,015 | \$ 987,289 | \$ 978,500 | |
| Eternal Materials Co., Ltd. | Eternal Global (BVI) Co., Ltd. | British Virgin Islands | International investment | 703,144 | 717,527 | 16,357,914 | 100.00 | 4,990,787 | 267,819 | 266,001 | |
| Eternal Materials Co., Ltd. | Mixville Holdings Inc. | British Virgin Islands | International investment | 899,392 | 989,582 | 26,630,000 | 100.00 | 3,703,360 | 103,855 | 103,603 | |
| Eternal Materials Co., Ltd. | Advanced PETFILM Investment Co., Ltd. | Japan | International investment | 788,630 | 788,630 | 270 | 20.00 | 488,355 | (23,719) | (655) | |
| Eternal Materials Co., Ltd. | Daxin Materials Corporation | Taiwan | Manufacturing and selling of chemical, resins materials and electronic materials | 191,052 | 191,052 | 23,423,812 | 22.80 | 672,942 | 426,120 | 97,155 | |
| Eternal Materials Co., Ltd. | New E Materials Co., Ltd. | Taiwan | Researching, developing, manufacturing and selling of photoelectric, semiconductor process related electronic chemical materials and equipment spare parts | 82,322 | 82,322 | 6,907,585 | 62.80 | 31,682 | (5,477) | (3,440) | |
| Eternal Materials Co., Ltd. | Covestro Eternal Resins (Far East) Ltd. | Taiwan | Manufacturing and selling of powder coating resin | 36,400 | 36,400 | 3,660,000 | 40.00 | 103,688 | 64,394 | 25,758 | |
| Eternal Materials Co., Ltd. | Eternal Precision Mechanics Co., Ltd. | Taiwan | Manufacturing and selling of vacuum laminator | 550,000 | - | 52,000,000 | 100.00 | 826,296 | 255,805 | 242,493 | Note 2 |
| Eternal Materials Co., Ltd. | Eternal Electronic Material (Thailand) Co., Ltd. | Thailand | Trading services, cutting and selling of dry film photoresist | 90,919 | 90,919 | 937,500 | 75.00 | 132,059 | 17,245 | 12,498 | |
| Eternal Materials Co., Ltd. | CHOU-KOU Materials Co., Ltd. | Japan | Selling, trading and providing services of resins material, electronic material and other related products | 60,431 | 60,431 | 4,000 | 100.00 | 85,481 | 6,186 | 4,034 | |
| Eternal Materials Co., Ltd. | Nikko-Materials Co., Ltd. | Japan | Manufacturing and selling of dry film photoresist and vacuum laminator | - | 257,657 | - | - | - | 882,552 | 556,574 | Note 2 |
| Eternal Materials Co., Ltd. | Elga Europe S.r.l. | Italy | Manufacturing, selling, distribution and processing of electronic chemical products | 287,169 | 287,169 | - | 72.68 | (3,556) | (16,488) | (11,984) | |
| Eternal Precision Mechanics Co., Ltd. | Nikko-Materials Co., Ltd. | Japan | Manufacturing and selling of dry film photoresist and vacuum laminator | 300,150 | - | 11,520 | 100.00 | 660,041 | 882,552 | - | Notes 1 and 2 |
| Eternal Holdings Inc. | Eternal International (BVI) Co., Ltd. | British Virgin Islands | International investment | 5,739,033 | 5,739,033 | 183,793,592 | 100.00 | 15,137,021 | 669,803 | - | Note 1 |
| Eternal Holdings Inc. | E-Chem Corp. | Samoa | International investment | 165,608 | 165,608 | 4,990,000 | 100.00 | 3,011,196 | 530,708 | - | Note 1 |
| Eternal Holdings Inc. | Eternal Nanyang Investment Co., Ltd. | Samoa | International investment | 841,453 | 540,493 | 28,350,000 | 90.00 | 444,197 | (201,095) | - | Note 1 |
| Eternal Holdings Inc. | PT Eternal Materials Indonesia | Indonesia | Trading of chemical products | 13,360 | 13,360 | 670 | 67.00 | 16,072 | 2,744 | - | Note 1 |
| Eternal Holdings Inc. | Allnex-Eternal Resins Corporation Limited | Hong Kong | Trading and international investment | 50,385 | 174,293 | 1,176,000 | 49.00 | 383,479 | 126,580 | - | Note 1 |
| Eternal Holdings Inc. | Polymer Instrumentation and Consulting Services, Ltd. | United States | Plastic products manufacturing | 121,913 | 121,913 | 4,694,296 | 30.00 | - | - | - | Note 1 |
| Eternal International (BVI) Co., Ltd. | Eternal Technology Corporation | United States | Manufacturing and selling of photoresist | 600,693 | 600,693 | 2,333 | 100.00 | (202,742) | (80,633) | - | Note 1 |
| Mixville Holdings Inc. | High Expectation Limited | Cayman Islands | International investment | 871,519 | 871,519 | 26,005,000 | 100.00 | 3,510,866 | 53,751 | - | Note 1 |
| Eternal (China) Investment Co., Ltd. | Elga Europe S.r.l. | Italy | Manufacturing, selling, distribution and processing of electronic chemical products | 58,610 | 58,610 | - | 22.32 | (752) | (16,488) | - | Note 1 |
| Eternal Nanyang Investment Co., Ltd. | Eternal Materials (Malaysia) Sdn. Bhd. | Malaysia | Manufacturing, selling, trading and providing services of resins material related products | 2,082,818 | 1,748,418 | 395,922,000 | 100.00 | 1,791,753 | (158,105) | - | Note 1 |

Note 1: It had been consolidated into the net income (loss) of investees recognized by the Company using the equity method, and also considered into the calculation of the Company's investment income or loss.

Note 2: Reorganization.

Eternal Materials Co., Ltd. and Subsidiaries

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital | Method of Investment (Note 1) | Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2022 | Investment Flows | | Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2022 | Net Income (Loss) of the Investee | % of Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of December 31, 2022 | Accumulated Repatriation of Investment Income as of December 31, 2022 | Note |
|---|---|---------------------------------|-------------------------------|--|------------------|--------|--|-----------------------------------|---|------------------------|---|---|---------------|
| | | | | | Outward | Inward | | | | | | | |
| Eternal Chemical (China) Co., Ltd. | Manufacturing and selling of resins material and processing products | \$ 755,651 | 2 | \$ 625,549 | \$ - | \$ - | \$ 625,549 | \$ 274,730 | 100.00 | \$ 274,730 | \$ 4,639,073 | \$ 1,509,802 | Note 2 |
| Covestro Eternal Resins (Kunshan) Co., Ltd. | Manufacturing and selling of powder coating resin | 183,470 | 2 | 91,735 | - | - | 91,735 | (11,563) | 50.00 | (5,782) | 315,124 | 544,920 | Note 2 |
| Eternal Optical Material (Suzhou) Co., Ltd. | Manufacturing and selling of optical films, and leasing business | 1,563,967 | 2 | - | - | - | - | (21,775) | 100.00 | (21,775) | 191,058 | - | Note 2 |
| Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Researching, developing, manufacturing and selling of electronic high-tech chemical and related products | 2,256,739 | 2 | 444,685 | - | - | 444,685 | 374,815 | 100.00 | 374,815 | 4,332,431 | 983,767 | Note 2 |
| Eternal Photoelectric Material Industry (Yingkou) Co., Ltd. | Researching, developing and manufacturing of photoresist dry film, liquid photo imaginable solder masks and printed circuit board related materials | 469,402 | 2 | - | - | - | - | 10,519 | 100.00 | 10,519 | 171,378 | - | Note 2 |
| Eterkon Semiconductor Materials Co., Ltd. | Manufacturing and selling of epoxy molding compounds which are used in electronic parts and related products | 524,337 | 2 | 456,427 | - | - | 456,427 | 31,435 | 40.00 | 15,912 | 267,481 | - | Note 2 |
| Eternal Synthetic Resins (Changshu) Co., Ltd. | Manufacturing and selling of unsaturated polyester resin | 726,426 | 2 | 279,811 | - | - | 279,811 | (15,751) | 100.00 | (15,751) | 186,019 | - | Note 2 |
| Eternal Chemical (Tianjin) Co., Ltd. | Manufacturing and selling of adhesives, resins material and processing products | 1,008,004 | 2 | 599,320 | - | - | 599,320 | 40,149 | 100.00 | 40,149 | 937,396 | - | Note 2 |
| Eternal Specialty Materials (Zhuhai) Co., Ltd. | Manufacturing and selling of acrylic resin and methacrylic acid | 611,011 | 2 | 243,540 | - | - | 243,540 | 550,225 | 90.00 | 530,550 | 2,997,505 | 950,086 | Note 2 |
| ESCO Specialty Coatings (Shanghai) Co., Ltd. | Researching, manufacturing and selling of processing electronic high-tech chemical, high performance coating, material and products | 403,180 | 2 | 196,680 | - | - | 196,680 | (29,286) | 40.00 | (13,369) | (40,424) | - | Note 2 |
| Eternal Materials (Guangdong) Co., Ltd. | Manufacturing and selling of adhesives, resins material and processing products | 1,297,259 | 2 | 868,175 | - | - | 868,175 | 53,984 | 100.00 | 53,984 | 3,508,985 | 1,885,420 | Note 2 |
| Eternal (China) Investment Co., Ltd. | Managing, investing consulting services, researching, leasing, manufacturing and selling of resins material and photoelectric chemicals materials | 7,557,603 | 2 | 4,264,844 | - | - | 4,264,844 | 750,029 | 100.00 | 750,029 | 15,308,189 | - | Notes 2 and 3 |
| Eternal Chemical (Chengdu) Co., Ltd. | Researching, manufacturing and selling of resins material | 450,351 | 2 | - | - | - | - | (174,475) | 100.00 | (174,475) | (703,359) | - | Note 2 |
| Eternal Electronic (Suzhou) Co., Ltd. | Researching, developing, and manufacturing of dry film photoresist and dry film solder masks which are used in electronic materials, researching resin materials and selling, providing after sales service of self-produced products | 1,929,180 | 2 | - | - | - | - | (50,220) | 100.00 | (50,220) | 2,145,218 | - | Note 2 |

(Continued)

| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital | Method of Investment (Note 1) | Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2022 | Investment Flows | | Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2022 | Net Income (Loss) of the Investee | % of Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of December 31, 2022 | Accumulated Repatriation of Investment Income as of December 31, 2022 | Note |
|--|--|---------------------------------|-------------------------------|--|------------------|--------|--|-----------------------------------|---|------------------------|---|---|------|
| | | | | | Outward | Inward | | | | | | | |
| Eternal Sun A. (Suzhou) Co., Ltd. | Researching, developing, and manufacturing of optical protective film which is used in display, and selling, providing after sales service of self-produced products | \$ 1,067,649 | 2 | \$ - | \$ - | \$ - | \$ (8,836) | - | \$ (5,302) | \$ - | \$ - | Notes 2, 6 and 27 of the consolidated financial statement | |
| Eternal Specialty Materials (Suzhou) Co., Ltd. | Researching and developing chemical products, and selling, providing technical services of self-produced products | 1,199,225 | 2 | - | - | - | 446,600 | 100.00 | 446,600 | 1,990,233 | - | Note 2 | |
| Showa Denko New Material (Zhuhai) Co., Ltd. | Manufacturing and selling of functional resins, resins composite material and providing technical services | 366,881 | 2 | - | - | - | 6,016 | 30.00 | 1,210 | 91,967 | - | Note 2 | |
| Eternal Material Industry (Tongling) Co., Ltd. | Manufacturing and selling resins material products and providing technical services | 869,200 | 2 | - | - | - | (19,058) | 100.00 | (19,058) | 863,511 | - | Note 2 | |

| Investor Company | Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022 (Note 4) | Investment Amount Authorized by the Investment Commission, MOEA (Note 4) | Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 5) |
|-----------------------------|---|--|---|
| Eternal Materials Co., Ltd. | \$ 8,076,918 | \$ 26,984,353 | \$ - |

Note 1: Investment methods are classified into the following three categories:

1. Direct investment in a company in mainland China.
2. Investing through companies in a third region (Eternal Holdings Inc., Eternal Global (BVI) Co., Ltd. and Mixville Holdings Inc.).
3. Others.

Note 2: The investment gains and losses were recognized from the financial statements audited by the parent company's CPA in the ROC in accordance with SAS No. 600 "Special Considerations - Audits of Group Financial Statements".

Note 3: The investment gains and losses of Eternal (China) Investment Co., Ltd. included the income (loss) of the invested company.

Note 4: The amounts were translated into NTD using the exchange rate of application date.

Note 5: According to the "Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China", which was modified on August 29, 2008, the Company obtained the approval of the operational headquarters from the Industrial Development Bureau of Ministry of Economic Affairs; hence, there is no need to set an upper limit for the investment amount.

Note 6: The disposal was resolved by the board of directors in August 2021, and completed in February 2022.

(Concluded)

TABLE 11**Eternal Materials Co., Ltd.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

| Name of the Major Shareholder | Shares | |
|-------------------------------|------------------------|-------------------------|
| | Number of Shares Owned | Percentage of Ownership |
| Kwang Yang Motor Co., Ltd. | 117,800,000 | 9.99 |
| Kao, Ying-Shih | 74,596,152 | 6.33 |

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current year. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, refer to Market Observation Post System.

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STATEMENT 1

Eternal Materials Co., Ltd.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Item | Description | Amount |
|---------------|---|-------------------|
| Cash on hands | | \$ 3,633 |
| Cash in banks | Checking accounts | 168,908 |
| | NTD demand deposits | 39,364 |
| | USD demand deposits (USD3,677thousand @30.71) | 112,917 |
| | JPY demand deposits (JPY29,397 thousand @0.2324) | 6,827 |
| | RMB demand deposits (RMB1 thousand @4.4094) | 3 |
| | | <u>\$ 331,652</u> |

STATEMENT 2

Eternal Materials Co., Ltd.

STATEMENT OF ACCOUNTS RECEIVABLE, NET

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

| Client Name | Description | Amount | Remark |
|--|----------------|---------------------|--------|
| Non-related parties | | | |
| Regent Electron (Suzhou) Co., Ltd. | Sales of goods | \$ 241,695 | |
| Others (Note) | | <u>2,284,954</u> | |
| | | 2,526,649 | |
| Less: Allowance for loss | | <u>(79,495)</u> | |
| | | <u>\$ 2,447,154</u> | |
| Related parties | | | |
| CHOU-KOU Materials Co., Ltd. | Sales of goods | \$ 138,751 | |
| Eternal Chemical (China) Co., Ltd. | Sales of goods | 116,819 | |
| Eternal Specialty Materials (Zhuhai) Co., Ltd. | Sales of goods | 111,071 | |
| Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Sales of goods | 96,629 | |
| Eternal (China) Investment Co., Ltd. | Sales of goods | 71,953 | |
| Eternal Electronic Material (Thailand) Co., Ltd | Sales of goods | 70,707 | |
| Nikko-Materials Co., Ltd. | Sales of goods | 46,253 | |
| Elga Europe S.r.l. | Sales of goods | 46,040 | |
| Eternal Electronic (Suzhou) Co., Ltd. | Sales of goods | 43,892 | |
| Others (Note) | | <u>135,544</u> | |
| | | 877,659 | |
| Less: Allowance for loss | | <u>(4)</u> | |
| | | <u>\$ 877,655</u> | |

Note: The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENT 3

Eternal Materials Co., Ltd.

STATEMENT OF OTHER RECEIVABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

| Item | Description | Amount |
|--|--------------------|-------------------|
| Receivable for loans to related parties | | \$ 307,100 |
| Receivable for trademark license fee | | 270,438 |
| Receivable for service fee | | 136,291 |
| Receivable for business tax | | 70,778 |
| Receivable for dividends | | 53,452 |
| Others (Note) | | <u>73,107</u> |
| | | 911,166 |
| Less: Allowance for loss | | <u>(29,800)</u> |
| | | <u>\$ 881,366</u> |

Note: The amount of individual item included in others does not exceed 5% of the account balance.

STATEMENT 4

Eternal Materials Co., Ltd.

STATEMENT OF INVENTORIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

| Item | Description | Amount | | Remark |
|----------------------|-------------|---------------------|----------------------|--------|
| | | Cost | Net Realizable Value | |
| Raw materials | | \$ 1,577,411 | \$ 2,441,223 | Note |
| Supplies | | 42,960 | 42,960 | Note |
| Finished goods | | 1,638,795 | 2,050,079 | Note |
| Inventory in transit | | <u>91,476</u> | <u>91,476</u> | Note |
| | | <u>\$ 3,350,642</u> | <u>\$ 4,625,738</u> | |

Note: Refer to Note 4 (6) for the method used in determining the net realizable value.

Eternal Materials Co., Ltd.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Name | Beginning of the Year | | Additions | | Decrease | | End of the Year | | Guarantee or Pledge | Remark |
|--|-----------------------|---------------------|------------------|------------------|------------------|---------------------|------------------|---------------------|---------------------|--------|
| | Number of Shares | Fair Value (Note 1) | Number of Shares | Amount | Number of Shares | Amount | Number of Shares | Fair Value (Note 1) | | |
| Domestic listed shares | | | | | | | | | | |
| President Securities Corp. | 33,366,767 | \$ 789,124 | - | \$ - | - | \$ (266,934) | 33,366,767 | \$ 522,190 | No | Note 2 |
| Domestic unlisted shares | | | | | | | | | | |
| Universal Venture Capital Investment Corp. | 5,000,000 | 44,483 | - | 1,014 | - | - | 5,000,000 | 45,497 | No | Note 2 |
| Der Yang Biotechnology Venture Capital Co., Ltd. | 353,994 | 4,323 | - | - | (123,898) | (1,553) | 230,096 | 2,770 | No | Note 2 |
| Hwa Nan Venture Capital Co., Ltd. | 57,438 | - | - | - | - | - | 57,438 | - | No | |
| Foreign unlisted shares | | | | | | | | | | |
| TBG Diagnostics Limited | 40,200,000 | 23,850 | - | 32,749 | - | - | 40,200,000 | 56,599 | No | Note 2 |
| | | <u>\$ 861,780</u> | | <u>\$ 33,763</u> | | <u>\$ (268,487)</u> | | <u>\$ 627,056</u> | | |

Note 1: Fair value is determined by the evaluation approach shown in Note 24.

Note 2: The changes for the year are due to valuation adjustment and capital reduction.

Eternal Materials Co., Ltd.

**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Name | Balance at Beginning of the Year | | Additions (Note 1) | | Decrease (Note 2) | | Investment Gain (Loss) | Other Adjustments (Note 3) | Balance at End of the Year | | | Market Value or Net Assets Value | | Guarantee or Pledge | Remark |
|--|----------------------------------|----------------------|---------------------------------|-------------------|---------------------------------|-----------------------|------------------------|----------------------------|---------------------------------|--------|----------------------|----------------------------------|----------------------|---------------------|--------|
| | Number of Shares (In Thousands) | Amount | Number of Shares (In Thousands) | Amount | Number of Shares (In Thousands) | Amount | | | Number of Shares (In Thousands) | % | Amount | Unit price (NT\$) | Total Amount | | |
| Eternal Holdings Inc. | 204,274 | \$ 19,118,841 | - | \$ - | (4,165) | \$ (123,909) | \$ 978,500 | \$ 319,583 | \$ 200,109 | 100.00 | \$ 20,293,015 | \$ 102 | \$ 20,445,827 | No | |
| Eternal Global (BVI) Co., Ltd. | 16,821 | 4,673,760 | - | - | (463) | (17,626) | 266,001 | 68,652 | 16,358 | 100.00 | 4,990,787 | 306 | 5,008,682 | No | |
| Mixville Holdings Inc. | 29,530 | 3,608,531 | - | - | (2,900) | (90,190) | 103,603 | 81,416 | 26,630 | 100.00 | 3,703,360 | 140 | 3,723,680 | No | |
| Advanced PETFILM Investment Co., Ltd. | - | 482,204 | - | - | - | - | (655) | 6,806 | - | 20.00 | 488,355 | 1,715,581 | 463,207 | No | Note 4 |
| Daxin Materials Corporation | 23,424 | 699,933 | - | - | - | (124,146) | 97,155 | - | 23,424 | 22.80 | 672,942 | 65 | 1,522,548 | No | |
| New E Materials Co., Ltd. | 6,908 | 35,122 | - | - | - | - | (3,440) | - | 6,908 | 62.80 | 31,682 | 5 | 31,682 | No | |
| Covestro Eternal Resins (Far East) Ltd. | 3,660 | 149,645 | - | - | - | (76,360) | 25,758 | 4,645 | 3,660 | 40.00 | 103,688 | 28 | 103,688 | No | |
| Eternal Precision Mechanics Co., Ltd. | - | - | 52,000 | 550,000 | - | - | 242,493 | 33,803 | 52,000 | 100.00 | 826,296 | 16 | 839,608 | No | |
| Eternal Electronic Material (Thailand) Co., Ltd. | 938 | 135,557 | - | - | - | (25,842) | 12,498 | 9,846 | 938 | 75.00 | 132,059 | 149 | 139,675 | No | |
| CHOU-KOU Materials Co., Ltd. | 4 | 83,824 | - | - | - | - | 4,034 | (2,377) | 4 | 100.00 | 85,481 | 22,068 | 88,273 | No | |
| Nikko-Materials Co., Ltd. | 12 | 1,634,652 | - | - | (12) | (2,118,270) | 556,574 | (72,956) | - | - | - | - | - | No | |
| Elga Europe S.r.l. | - | <u>8,502</u> | - | <u>-</u> | - | <u>-</u> | <u>(11,984)</u> | <u>(74)</u> | - | 72.68 | <u>(3,556)</u> | - | <u>(3,556)</u> | No | Note 5 |
| | | <u>\$ 30,630,571</u> | | <u>\$ 550,000</u> | | <u>\$ (2,576,343)</u> | <u>\$ 2,270,537</u> | <u>\$ 449,344</u> | | | <u>\$ 31,324,109</u> | | <u>\$ 32,363,314</u> | | |

Note 1: Reorganization.

Note 2: Capital reduction, cash dividends and reorganization.

Note 3: Other adjustments:

- 1) Exchange differences on translation of the financial statements of foreign operations that are recognized using the equity method.
- 2) Recognized remeasurement of defined benefit plans of investments accounted for using the equity method.
- 3) Recognized unrealized gains and losses on financial assets at FVTOCI of investments accounted for using the equity method.

Note 4: Less than a thousand shares.

Note 5: No shares issued; not applicable.

Eternal Materials Co., Ltd.

**STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

| Item | Balance at Beginning of the Year | Additions (Note) | Decrease | Balance at End of the Year | Remark |
|-------------------|---|-----------------------------|--------------------|---|---------------|
| Land | \$ 11,887 | \$ 236 | \$ - | \$ 12,123 | |
| Buildings | 100,361 | 14,216 | (62,771) | 51,806 | |
| Storage equipment | 4,102 | 6,100 | - | 10,202 | |
| Other equipment | <u>31,840</u> | <u>4,227</u> | <u>(7,657)</u> | <u>28,410</u> | |
| | <u>\$ 148,190</u> | <u>\$ 24,779</u> | <u>\$ (70,428)</u> | <u>\$ 102,541</u> | |

Note: Including lease modification.

Eternal Materials Co., Ltd.**STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

| Item | Balance at Beginning of the Year | Additions | Decrease | Balance at End of the Year | Remark |
|-------------------|---|------------------|-------------------|---|---------------|
| Land | \$ 1,370 | \$ 491 | \$ - | \$ 1,861 | |
| Buildings | 25,859 | 15,607 | (22,495) | 18,971 | |
| Storage equipment | 649 | 1,756 | - | 2,405 | |
| Other equipment | <u>11,724</u> | <u>6,537</u> | <u>(4,643)</u> | <u>13,618</u> | |
| | <u>\$ 39,602</u> | <u>\$ 24,391</u> | <u>\$(27,138)</u> | <u>\$ 36,855</u> | |

STATEMENT 9

Eternal Materials Co., Ltd.

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

| Vendor Name | Description | Amount | Remark |
|---------------------------------------|--------------------|---------------------|---------------|
| Chang Chun Plastics Co., Ltd. | Purchase of goods | \$ 145,486 | |
| Nan Ya Plastics Corporation | Purchase of goods | 86,205 | |
| Chang Chun Petrochemical Co., Ltd. | Purchase of goods | 69,515 | |
| Formosa Plastics Corporation | Purchase of goods | 58,260 | |
| Others (Note) | | <u>685,451</u> | |
| | | <u>\$ 1,044,917</u> | |

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

Eternal Materials Co., Ltd.

STATEMENT OF OTHER PAYABLES - OTHERS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

| Item | Description | Amount |
|------------------------------|--------------------|-------------------|
| Payable for equipment | | \$ 290,219 |
| Bonus | | 140,861 |
| Compensation of employees | | 130,000 |
| Commission | | 50,468 |
| Others (Note) | | <u>364,834</u> |
| | | <u>\$ 976,382</u> |

Note: The amount of individual item in others does not exceed 5% of the account balance.

Eternal Materials Co., Ltd.

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Type | Balance at End of Year | Contract Period | Range of Interest Rates (%) | Loan Commitments | Collateral |
|---|---------------------------|-----------------------|--------------------------------|------------------|------------|
| Unsecured loans | | | | | |
| HSBC Bank (Taiwan) Limited | \$ 380,000 | 2022.10.11-2023.05.29 | 1.58-1.59 | NT\$ 600,000 | None |
| The Shanghai Commercial and Savings Bank, Ltd. | 334,260 | 2022.10.13-2023.07.05 | 1.50-4.81 | US\$ 35,000 | None |
| Taipei Fubon Commercial Bank Co., Ltd. | 134,792 | 2022.10.21-2023.04.14 | 0.60-0.80 | NT\$ 500,000 | None |
| Taipei Fubon Commercial Bank Co., Ltd. | 307,100 | 2022.10.03-2023.04.12 | 5.24-5.29 | US\$ 15,000 | None |
| CTBC Bank Co., Ltd. | 150,000 | 2022.10.11-2023.02.10 | 1.65 | NT\$ 300,000 | None |
| The Export-Import Bank of the Republic of China | 300,000 | 2022.01.12-2023.12.29 | 1.45-1.63 | NT\$ 300,000 | None |
| Mizuho Bank, Ltd. | 76,692 | 2022.10.07-2023.02.07 | 0.58 | NT\$ 1,000,000 | None |
| Yuanta Commercial Bank Co., Ltd. | 300,000 | 2022.11.22-2023.01.19 | 1.36 | NT\$ 300,000 | None |
| Mega International Commercial Bank Co., Ltd. | 500,000 | 2022.12.16-2023.01.16 | 1.65 | NT\$ 1,000,000 | None |
| Loans from related parties | | | | | |
| Eternal Holdings Inc. | <u>982,720</u> | 2022.11.16-2023.12.05 | 5.40-5.45 | US\$ 32,000 | None |
| | <u>\$ 3,465,564</u> | | | | |

Eternal Materials Co., Ltd.

STATEMENT OF OTHER NON-CURRENT LIABILITIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

| Item | Description | Amount |
|---------------------------------|--------------------|-------------------|
| Net defined benefit liabilities | | \$ 542,153 |
| Others (Note) | | <u>301</u> |
| | | <u>\$ 542,454</u> |

Note: The amount of individual item in others does not exceed 5% of the account balance.

Eternal Materials Co., Ltd.

STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Creditors | Description | Loan Amount | Agreement Period | Interest Rate Range (%) | Pledge or Guarantee | Remark |
|--|--|---------------------|------------------|-------------------------|---------------------|--------|
| Unsecured loans | | | | | | |
| First commercial bank | Bullet repayment, non-revolving credit | \$ 900,000 | 2020.08-2025.11 | 1.70-1.78 | No | |
| Syndicated credit facility with eight banks led by E.SUN Commercial Bank, Ltd. | Repay in installment, non-revolving credit | 1,350,000 | 2018.07-2023.05 | 1.79 | No | |
| HSBC Bank (Taiwan) Limited | Repay in installment, non-revolving credit | 600,000 | 2020.08-2025.08 | 1.90 | No | |
| HSBC Bank (Taiwan) Limited | Bullet repayment, revolving credit | 270,000 | 2022.12-2023.12 | 1.58 | No | |
| Mizuho bank, Ltd. | Bullet repayment, revolving credit | 1,120,000 | 2022.10-2023.05 | 1.55-1.75 | No | |
| Mega International Commercial Bank Co., Ltd. | Bullet repayment, non-revolving credit | 800,000 | 2022.09-2025.09 | 1.73 | No | |
| Bank of Taiwan | Repay in installment, non-revolving credit | 1,000,000 | 2022.08-2025.08 | 1.61 | No | |
| Taiwan Business Bank, Ltd. | Bullet repayment, non-revolving credit | 300,000 | 2021.05-2024.05 | 1.73 | No | |
| Far Eastern International Bank | Bullet repayment, non-revolving credit | 150,000 | 2021.09-2024.09 | 1.63 | No | |
| Far Eastern International Bank | Bullet repayment, revolving credit | 500,000 | 2022.12-2023.02 | 1.85 | No | |
| The Export-Import Bank of the Republic of China | Repay in installment, non-revolving credit | 144,000 | 2017.10-2023.10 | 1.85 | No | |
| Bank SinoPac Co., Ltd. | Repay in installment, non-revolving credit | 500,000 | 2022.12-2023.01 | 1.82 | No | |
| Chang Hwa Commercial Bank, Ltd. | Bullet repayment, non-revolving credit | 300,000 | 2020.08-2023.08 | 1.58 | No | |
| Chang Hwa Commercial Bank, Ltd. | Bullet repayment, revolving credit | 100,000 | 2020.08-2023.08 | 1.58 | No | |
| Hua Nan Commercial Bank, Ltd. | Bullet repayment, revolving credit | 500,000 | 2020.08-2023.08 | 1.51 | No | |
| CTBC Bank Co., Ltd. | Bullet repayment, revolving credit | 300,000 | 2022.11-2023.02 | 1.60 | No | |
| | | 8,834,000 | | | | |
| Less: Current portion of long-term borrowings | | (2,994,000) | | | | |
| | | <u>\$ 5,840,000</u> | | | | |

Eternal Materials Co., Ltd.

STATEMENT OF BONDS PAYABLE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Bond Name | Trustee | Issuance Date | Interest Payment Date and Repayment Method | Annual Rate | Total Amount Issued | Repayment Paid | Amount | | | Collateral |
|----------------------|---------------------------|-----------------|--|----------------|------------------------|----------------|-------------------------------|-------------------|---------------------|------------|
| | | | | | | | Balance at End of the Year | Issuance Costs | Carrying Value | |
| 5-year secured bonds | Bank SinoPac Co., Ltd. | 2019.11-2024.11 | Principal repayable at maturity and interest payable annually | 0.82 | \$ 3,000,000 | \$ - | \$ 3,000,000 | \$ (2,240) | \$ 2,997,760 | Note 15 |
| 5-year secured bonds | CTBC Bank Co., Ltd. | 2021.08-2026.08 | Principal repayable at maturity and interest payable annually | 0.58 | 2,500,000 | - | 2,500,000 | (3,839) | 2,496,161 | Note 15 |
| | | | | | <u>\$ 5,500,000</u> | <u>\$ -</u> | <u>\$ 5,500,000</u> | <u>\$ (6,079)</u> | <u>\$ 5,493,921</u> | |

Eternal Materials Co., Ltd.

**STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

| Item | Description | Lease Term | Discount Rate | Balance at End of the Year | Remark |
|--|--------------------|-------------------|----------------------|-----------------------------------|---------------|
| Land | | 2017.01-2044.06 | 1.72-2.29 | \$ 6,376 | |
| Buildings | | 2020.05-2027.05 | 0.63-4.60 | 34,177 | |
| Storage equipment | | 2020.09-2027.07 | 1.63-1.79 | 7,864 | |
| Other equipment | | 2019.09-2027.07 | 0.63-4.60 | <u>14,901</u> | |
| | | | | 63,318 | |
| Less: Current portion of lease liabilities | | | | <u>(19,592)</u> | |
| | | | | <u>\$ 43,726</u> | |

STATEMENT 16

Eternal Materials Co., Ltd.

**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

| Item | Quantity | Amount | Remark |
|----------------------------|--|----------------------|---------------|
| Resins materials | 114 thousand tons | \$ 8,306,915 | |
| Electronic materials | 903,866 thousand square feet and 3 thousand tons | 3,949,661 | |
| High performance materials | 15 thousand tons | 3,818,917 | |
| Others | | <u>136,259</u> | |
| | | <u>\$ 16,211,752</u> | |

STATEMENT 17**Eternal Materials Co., Ltd.****STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|--|----------------------|
| Balance of raw materials and materials in transit, beginning of the year | \$ 1,979,625 |
| Add: Raw materials purchased | 8,667,759 |
| Transferred from finished goods to manufacturing | 16,000,558 |
| Less: Raw materials sold | (221,585) |
| Others | (84,068) |
| Effect from spin-off - raw materials | (28,966) |
| Balance of raw materials and materials in transit, end of the year | <u>(1,678,135)</u> |
| Raw materials used | <u>24,635,188</u> |
| Balance of supplies, beginning of the year | 43,370 |
| Add: Supplies purchased | 543,099 |
| Less: Supplies sold | (7,673) |
| Others | (103,664) |
| Balance of supplies, end of the year | <u>(42,960)</u> |
| Supplies used | <u>432,172</u> |
| Raw materials and supplies used | 25,067,360 |
| Direct labor | 311,406 |
| Manufacturing expenses | <u>1,480,576</u> |
| Manufacturing cost | 26,859,342 |
| Balance of finished goods, beginning of the year | 2,139,884 |
| Add: Finished goods purchased | 1,081,591 |
| Less: Transferred to manufacturing | (16,000,558) |
| Others | (159,984) |
| Effect from spin-off - finished goods | (5,274) |
| Balance of finished goods, end of the year | <u>(1,687,115)</u> |
| Operating costs - finished goods | 12,227,886 |
| Operating costs - raw materials | 221,585 |
| Operating costs - supplies | 7,673 |
| Operating costs - others | <u>562,077</u> |
| Operating costs | <u>\$ 13,019,221</u> |

Eternal Materials Co., Ltd.

**STATEMENT OF SELLING AND MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

| Item | Description | Amount | Remark |
|------------------|--------------------|---------------------|---------------|
| Shipping expense | | \$ 675,163 | |
| Payroll expense | | 198,127 | |
| Others (Note) | | <u>260,510</u> | |
| | | <u>\$ 1,133,800</u> | |

Note: The amount of individual item in others does not exceed 5% of the account balance.

Eternal Materials Co., Ltd.

**STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

| Item | Description | Amount | Remark |
|----------------------|--------------------|-------------------|---------------|
| Salaries | | \$ 466,047 | |
| Depreciation expense | | 43,428 | |
| Others (Note) | | <u>341,458</u> | |
| | | <u>\$ 850,933</u> | |

Note: The amount of individual item in others does not exceed 5% of the account balance.

Eternal Materials Co., Ltd.

**STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

| Item | Description | Amount | Remark |
|----------------------|--------------------|---------------------|---------------|
| Salaries | | \$ 602,083 | |
| Depreciation expense | | 161,392 | |
| Laboratory fees | | 116,638 | |
| Others (Note) | | <u>336,649</u> | |
| | | <u>\$ 1,216,762</u> | |

Note: The amount of individual item in others does not exceed 5% of the account balance.

Eternal Materials Co., Ltd.

**STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY
FUNCTION FOR THE YEAR
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

| Function Nature | For the Year Ended December 31, 2022 | | |
|----------------------------|--------------------------------------|-------------------------------------|-----------|
| | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Employee benefit expense | | | |
| Salaries | 844,904 | 1,266,257 | 2,111,161 |
| Labor and health insurance | 84,765 | 103,367 | 188,132 |
| Pension | 67,894 | 88,589 | 156,483 |
| Remuneration of directors | - | 24,013 | 24,013 |
| Others | 58,354 | 73,457 | 131,811 |
| Depreciation | 450,488 | 212,209 | 662,697 |
| Amortization | 311 | 17,292 | 17,603 |

| Function Nature | For the Year Ended December 31, 2021 | | |
|----------------------------|--------------------------------------|-------------------------------------|-----------|
| | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Employee benefit expense | | | |
| Salaries | 907,088 | 1,242,030 | 2,149,118 |
| Labor and health insurance | 79,244 | 92,733 | 171,977 |
| Pension | 43,371 | 54,859 | 98,230 |
| Remuneration of directors | - | 28,800 | 28,800 |
| Others | 56,282 | 73,819 | 130,101 |
| Depreciation | 482,068 | 216,848 | 698,916 |
| Amortization | 35 | 17,853 | 17,888 |

Note 1: For the years ended December 31, 2022 and 2021, the Company had 2,129 and 2,109 employees, respectively, and there were 10 and 9 non-employee directors, respectively.

Note 2: The following information is disclosed since the Company's shares are listed on the Taiwan Stock Exchange (TWSE):

- 1) Average employee benefit expense for the year ended December 31, 2022 was \$1,221 thousand (calculated as total employee benefit expense net of total remuneration of directors for the year divided by number of employees net of number of non-employee directors for the year). Average employee benefit expense for the year ended December 31, 2021 was \$1,214 thousand (calculated as total employee benefit expense net of total remuneration of directors for the previous year divided by the number of employees net of number of non-employee directors for the previous year).
- 2) Average salaries for the year ended December 31, 2022 was \$996 thousand (calculated as total salaries for the year divided by number of employees net of number of non-employee directors for the year). Average salaries for the year ended December 31, 2021 was \$1,023 thousand (calculated as total salaries for the previous year divided by number of employees net of number of non-employee directors for the previous year).

(Continued)

- 3) Adjustment of average salaries was -2.64% (calculated as average salaries for the year net of average salaries for the previous year divided by average salaries for the previous year).
- 4) The Company has no supervisors.
- 5) The Company conducts salary surveys every year to measure the market's salary level and overall economic indicators and makes appropriate adjustments to its overall salary policy. In addition to the annual salary adjustments and a comprehensive promotion system, various reward systems are in place to encourage colleagues with superior performance. According to the Company's Articles of Incorporation, if the Company makes a profit in the current year, 4.5% (inclusive) to 5.5% of the profit shall be appropriated as compensation of employees.

According to the Company's Articles of Incorporation, the remuneration of directors is based on the extent of their participation in the Company's operations and the value of their contributions, and approved with reference to industry standards. If the Company makes a profit in the current year, the remuneration of directors shall be no more than 1% of the profit. Remuneration of independent directors is paid quarterly according to the Company's "Directors' Remuneration and Remuneration Standards".

The annual compensation package of managers includes salary, bonus and employees' compensation from the distribution of earnings. Compensation is determined by reference to industry standards, taking into consideration the Company's operating performance, individual performance and future risks. The compensation of managers is also subject to review by the compensation committee and approval of the board of directors in accordance with the law.

(Concluded)