

**Shin Foong Specialty & Applied Materials
Co., Ltd.**

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

INDEPENDENT AUDITORS' REPORT

Shin Foong Specialty & Applied Materials Co., Ltd.

Opinion

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, their standalone financial performance and their cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters of the Company's financial statements for the year ended December 31, 2022 are stated as follows:

The sales price of the products of the Company continued to be revised down in line with the easing of the Covid-19 pandemic and the decline in terminal market demand this year. Sales revenue also downturn significantly. However, the contract pricing that the Company previously signed with a specific customer failed to reflect market conditions in time, with the sales from specific customer accounted for 36% of total sales revenue. Therefore, the accuracy of revenues from specific customer should be highly focused. Refer to Notes 4 and 19 to the financial statements for the related disclosures on sales revenue.

The key audit procedures that we performed in respect of the specific customer sales revenue included the following:

1. We understood and tested the effectiveness of the design and implementation of the sales revenue and accounting estimates of internal controls.

2. We tested the sales details of specific customer, including examination of the quotations, shipping documents, bill of lading, cash collection receipts and price documents of settled bilateral.
3. We obtained subsequent details of sales returns and allowances and checked whether there were any material and unusual sales returns and allowances existed.

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the 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 financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 21, 2023

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 financial statements shall prevail.

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 278,409	4	\$ 209,638	2
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	119,097	2	1,223,021	14
Financial assets at amortized cost - current (Notes 4 and 9)	1,876,981	29	3,550,200	41
Note receivables (Notes 10 and 19)	8,143	-	13,858	-
Accounts receivable, net (Notes 4, 5, 10 and 19)	82,749	1	58,105	1
Accounts receivable - related parties (Notes 4, 10, 19 and 25)	112,910	2	136,538	1
Other receivables	2,941	-	16,243	-
Inventories (Notes 4 and 11)	252,219	4	441,152	5
Prepayments (Note 25)	42,372	1	52,277	1
Other current assets	<u>1,020</u>	-	<u>-</u>	-
Total current assets	<u>2,776,841</u>	<u>43</u>	<u>5,701,032</u>	<u>65</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income – non-current (Notes 4 and 8)	1,112,719	17	427,565	5
Investments accounted for using the equity method (Note 4, 12)	11,067	-	10,132	-
Property, plant and equipment (Notes 4, 13 and 26)	2,515,707	39	2,530,865	29
Right-of-use assets (Notes 4 and 14)	7,786	-	7,810	-
Deferred tax assets (Notes 4 and 21)	29,016	1	31,525	1
Prepayments for business facilities	7,136	-	7,397	-
Refundable deposits	777	-	747	-
Net defined benefit assets (Notes 4 and 17)	13,244	-	-	-
Other non-current assets	<u>1,158</u>	-	<u>1,981</u>	-
Total non-current assets	<u>3,698,610</u>	<u>57</u>	<u>3,018,022</u>	<u>35</u>
TOTAL ASSETS	<u>\$ 6,475,451</u>	<u>100</u>	<u>\$ 8,719,054</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4 and 19)	\$ 53,764	1	\$ 48,126	1
Accounts payable (Note 15)	32,687	1	201,767	2
Other payables (Notes 16 and 25)	278,572	4	469,327	6
Current tax liabilities (Note 21)	116,843	2	626,444	7
Lease liabilities - current (Notes 4 and 14)	3,614	-	3,180	-
Refund liabilities - current (Notes 4 and 10)	24,634	-	-	-
Other current liabilities	<u>1,147</u>	-	<u>1,082</u>	-
Total current liabilities	<u>511,261</u>	<u>8</u>	<u>1,349,926</u>	<u>16</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	3,543	-	532	-
Lease liabilities – non-current (Notes 4 and 14)	3,980	-	4,652	-
Net defined benefit liabilities (Notes 4 and 17)	<u>-</u>	-	<u>928</u>	-
Total non-current liabilities	<u>7,523</u>	-	<u>6,112</u>	-
Total liabilities	<u>518,784</u>	<u>8</u>	<u>1,356,038</u>	<u>16</u>
EQUITY (Notes 18 and 23)				
Ordinary shares	<u>1,061,741</u>	<u>16</u>	<u>1,061,741</u>	<u>12</u>
Capital surplus	<u>749,234</u>	<u>12</u>	<u>749,234</u>	<u>9</u>
Retained earnings				
Legal reserve	1,138,303	17	790,773	9
Unappropriated earnings	<u>2,824,191</u>	<u>44</u>	<u>4,579,283</u>	<u>52</u>
Total retained earnings	<u>3,962,494</u>	<u>61</u>	<u>5,370,056</u>	<u>61</u>
Other equity	<u>183,198</u>	<u>3</u>	<u>181,985</u>	<u>2</u>
Total equity	<u>5,956,667</u>	<u>92</u>	<u>7,363,016</u>	<u>84</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 6,475,451</u>	<u>100</u>	<u>\$ 8,719,054</u>	<u>100</u>

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

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

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

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 4, 19 and 25)	\$ 1,702,563	100	\$ 8,161,714	100
OPERATING COSTS (Notes 11, 20 and 25)	<u>1,273,176</u>	<u>75</u>	<u>3,236,563</u>	<u>39</u>
GROSS PROFIT FROM OPERATIONS	<u>429,387</u>	<u>25</u>	<u>4,925,151</u>	<u>61</u>
OPERATING EXPENSES (Notes 10, 20 and 25)				
Selling and marketing expenses	113,274	7	314,494	4
General and administrative expenses	73,683	4	187,766	2
Research and development expenses	32,933	2	60,566	1
Expected credit loss (gain)	<u>10,814</u>	<u>-</u>	<u>(2,536)</u>	<u>-</u>
Total operating expenses	<u>230,704</u>	<u>13</u>	<u>560,290</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>198,683</u>	<u>12</u>	<u>4,364,861</u>	<u>54</u>
NON-OPERATING INCOME AND EXPENSES (Note 20)				
Interest income	27,356	2	18,993	-
Other income	37,889	2	28,338	1
Other gains and losses	26,150	1	(53,761)	(1)
Finance costs	(287)	-	(627)	-
The share of profit or loss of subsidiary for using equity method	<u>(169)</u>	<u>-</u>	<u>823</u>	<u>-</u>
Total non-operating income and expenses	<u>90,939</u>	<u>5</u>	<u>(6,234)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	289,622	17	4,358,627	54
INCOME TAX (Notes 4 and 21)	<u>114,629</u>	<u>7</u>	<u>882,241</u>	<u>11</u>
NET PROFIT FOR THE YEAR	<u>174,993</u>	<u>10</u>	<u>3,476,386</u>	<u>43</u>
OTHER COMPREHENSIVE INCOME (Notes 17, 18 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	12,571	1	(1,364)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	109	-	104,939	1

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SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

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

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Income tax relating to items that will not be reclassified subsequently to profit or loss	\$ (2,514)	-	\$ 273	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	1,104	-	(279)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>(113)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>11,270</u>	<u>-</u>	<u>103,456</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 186,263</u>	<u>-</u>	<u>\$ 3,579,842</u>	<u>44</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 1.65</u>		<u>\$ 32.74</u>	
Diluted	<u>\$ 1.65</u>		<u>\$ 32.60</u>	

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

(Concluded)

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

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

	Share Capital - Ordinary Shares	Capital Surplus	Legal Reserve	Retained Earnings		Other Equity			
				Unappropriated Earnings	Total	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating Foreign Operations	Total	Total Equity
BALANCE AT JANUARY 1, 2021	\$ 1,061,241	\$ 748,849	\$ 613,402	\$ 2,343,100	\$ 2,956,502	\$ 77,892	\$ (454)	\$ 77,438	\$ 4,844,030
Appropriation of 2020 earnings (Note 18)									
Legal reserve	-	-	177,371	(177,371)	-	-	-	-	-
Cash dividends	-	-	-	(1,061,741)	(1,061,741)	-	-	-	(1,061,741)
	-	-	177,371	(1,239,112)	(1,061,741)	-	-	-	(1,061,741)
Net profit for the year ended December 31, 2021	-	-	-	3,476,386	3,476,386	-	-	-	3,476,386
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	(1,091)	(1,091)	104,939	(392)	104,547	103,456
Total comprehensive income for the year ended December 31, 2021	-	-	-	3,475,295	3,475,295	104,939	(392)	104,547	3,579,842
Share-based payment (Notes 18 and 23)	500	385	-	-	-	-	-	-	885
BALANCE AT DECEMBER 31, 2021	1,061,741	749,234	790,773	4,579,283	5,370,056	182,831	(846)	181,985	7,363,016
Appropriation of 2021 earnings (Note 18)									
Legal reserve	-	-	347,530	(347,530)	-	-	-	-	-
Cash dividends	-	-	-	(1,592,612)	(1,592,612)	-	-	-	(1,592,612)
	-	-	347,530	(1,940,142)	(1,592,612)	-	-	-	(1,592,612)
Net profit for the year ended December 31, 2022	-	-	-	174,993	174,993	-	-	-	174,993
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	10,057	10,057	109	1,104	1,213	11,270
Total comprehensive income for the year ended December 31, 2022	-	-	-	185,050	185,050	109	1,104	1,213	186,263
BALANCE AT DECEMBER 31, 2022	\$ 1,061,741	\$ 749,234	\$ 1,138,303	\$ 2,824,191	\$ 3,962,494	\$ 182,940	\$ 258	\$ 183,198	\$ 5,956,667

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

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

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

	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 289,622	\$ 4,358,627
Adjustments for:		
Depreciation expense	144,740	140,930
Amortization expense	823	8,963
Expected credit loss recognized (reversed)	10,814	(2,536)
Net gain on financial assets and liabilities at fair value through profit or loss	4,046	(928)
Finance costs	287	627
Interest income	(27,356)	(18,993)
Dividend income	(37,855)	(28,304)
The share of profit or loss of subsidiary for using equity method	169	(823)
Loss on disposal of property, plant and equipment	18	-
Impairment loss recognized on non-financial assets	6,245	2,159
Loss on idle capacity	244,166	67,009
Others	25,047	145
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	113	7,099
Notes receivable	5,715	(1,387)
Accounts receivable	(35,458)	92,251
Accounts receivable - related parties	23,628	(46,029)
Other receivables	14,294	(13,877)
Inventories	(61,315)	(199,000)
Prepayments	9,330	15,326
Other current assets	(1,020)	271
Net defined benefit assets	(673)	439
Contract liabilities	5,638	(10,221)
Notes payable	-	(14)
Accounts payable	(169,080)	(159,157)
Other payables	(178,179)	201,310
Other current liabilities	65	61
Net defined benefit liabilities	(928)	(436)
Cash generated from operations	272,896	4,413,512
Interest received	26,364	17,694
Dividends received	37,855	28,304
Interest paid	(301)	(626)
Income taxes paid	(621,224)	(645,057)
Net cash generated from (used in) operating activities	(284,410)	3,813,827

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SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

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

	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (685,108)	\$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	63	-
Acquisition of financial assets at amortized cost	(2,456,981)	(1,946,400)
Proceeds from disposal of financial assets at amortized cost	4,130,200	
Acquisition of financial assets at fair value through profit or loss	(1,194,000)	(2,265,000)
Proceeds from disposal of financial assets at fair value through profit or loss	2,293,765	1,856,107
Acquisition of property, plant and equipment	(137,955)	(781,001)
Increase in refundable deposits	(30)	-
Decrease in refundable deposits	-	506
Acquisition of software	-	(2,470)
Net cash generated from (used in) investing activities	<u>1,949,954</u>	<u>(3,138,258)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Guarantee deposits refunded	-	(3,964)
Repayment of principal of lease liabilities	(4,161)	(4,257)
Cash dividends paid	(1,592,612)	(1,061,741)
Proceeds from share options exercised	-	885
Net cash used in financing activities	<u>(1,596,773)</u>	<u>(1,069,077)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	68,711	(393,508)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>209,638</u>	<u>603,146</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 278,409</u>	<u>\$ 209,638</u>

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

(Concluded)

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. GENERAL INFORMATION

The Company was invested by parent company the YFY Inc. (holds 48% shares) and established in July 1979. It mainly manufactures and sells synthetic latex and adhesives.

The shares of the Company were listed on the Taiwan Stock Exchange in June 2017.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors and authorized for issue on February 21, 2023.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any 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 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 will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company have 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 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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 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 POLICY

For readers' convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail.

Statement of Compliance

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

Basis of Preparation

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

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. 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
- c. Level 3 inputs are unobservable inputs for the asset or liability.

When preparing the financial statements, the Company used the equity method to account for its investments in subsidiary. In order for the amounts of the net profit for the year, other comprehensive income (loss) for the year and total equity in the financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiary (accounted for as investment revenue), the share of other comprehensive income (loss) of subsidiary and the related equity items.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities expected to be settled within twelve months after the reporting period even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- c. Liabilities without an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as abovementioned are classified as noncurrent.

Foreign Currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was 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 case, the exchange differences are also recognized directly in other comprehensive income.

Inventories

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

Investments accounted for using the equity method

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

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary 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 Company's share of other equity of subsidiary.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiary are recognized only in the parent company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

Property, Plant, and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation.

Properties in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use and depreciated accordingly.

Property, plant and equipment depreciated in straight-line depreciation method. For each major part of property, plant and equipment recognized depreciation separately. The Company reviews estimating useful life, residual value, and depreciation method, at a minimum, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

When derecognizing property, plant and equipment, the difference between net disposal proceeds and the book value is recognized as gains or losses.

Software

a. Software acquired separately

Software with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

b. Derecognition of software

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

Impairment of Property, Plant and Equipment, Right-of-use Asset and Software

The Company evaluates if there are any signs of impairment of property, plant and equipment, right-of-use assets, and software on each date of balance sheet. If any signs of impairment exist, then estimate the asset's recoverable amount. If the recoverable amount cannot be estimated on an individual basis, the Company will instead estimate recoverable amounts for the cash generating unit that the asset belong. The recoverable amount of corporate assets is allocated to individual or the smallest identifiable cash generating unit with a reasonable and consistent basis.

Recoverable amounts are determined as the higher of "fair value less cost to sell" or the "value in use." If the recoverable amount of an individual asset or cash generating unit is expected to be lower than its book value, the Company will reduce the book value of the asset or cash generating unit down to the recoverable amount and recognize impairment loss to profit and loss.

When an impairment loss subsequently is 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 or depreciation) had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company become 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 issue 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 of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

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

1) Measurement categories

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

a) Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and interest earned on such financial assets are recognized in other gains or losses, respectively. Fair value is determined in the manner described in Note 24.

b) 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.

Financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable (including related parties) at amortized cost, other receivables and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Foreign currency 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, except for:

- i Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when the issuer or the borrower has significant financial difficulty; or breach of contract, such as a default; or it is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

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.

c) 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 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, they 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.

2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including notes and accounts receivable).

The Company always recognize lifetime expected credit loss (ECL) for notes and accounts receivable. For other financial assets, the Company recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the 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 ECL.

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

For the purpose of internal credit risk management, the Company may deem a financial asset to be in default in the event of any one of the following situations without considering collateral:

- a) There is internal or external information showing that the debtor is no longer able to repay debts.
- b) More than 181 days late, unless there is reasonable information with evidence supporting that it is better to extend the deadline for determining default.

The impairment loss on all financial assets is recognized by lowering the book value of the allowance account.

3) 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.

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

b. Equity instruments

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

c. Financial liabilities

1) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 24.

2) 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.

d. Derivative financial instruments

The Company enters into foreign exchange forward contracts to manage their exposure to foreign exchange rate and interest rate.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at each balance sheet date. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Refund Liabilities

Estimated discount or other allowances of the consideration are recognized as refund liabilities.

Revenue Recognition

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

Revenue and accounts receivable are recognized when the customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence and the control of products is transferred to customers (export, when products are crossed the shipboard or arrived; domestic, when products are delivered). Transaction price received is recognized as a contract liability.

Leases

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

When 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 by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. 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.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the 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 future lease payments resulting from a change in a lease term, 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. Lease liabilities are presented on a separate line in the balance sheets.

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.

Employee Benefits

a. 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 service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service 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 (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which 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 liability (assets) represents the actual deficit (surplus) in the Company's 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.

Employee share options

Employee share options granted to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimate of the number of options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date when the share options granted vest immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the

capital surplus - employee share options.

Taxation

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

Current tax

The Company's income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the Income Tax Act in the ROC.

According to the Income Tax Law, 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.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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 asset 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 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 end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, the current and deferred tax are recognized in other comprehensive income.

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, estimates 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 possible impact of the recent development of the COVID-19 in Taiwan when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key sources of estimation uncertainty

a. Estimating impairment of financial assets

The provision for impairment of account receivables is based on assumptions about probability of default and loss given default ratio. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, prospective information and existing market conditions. Refer to the Note 10 for the important assumptions. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. The estimating impairment loss of property, plant and equipment

Impairment of equipment in relation to the production is evaluated based on the recoverable amount of the assets. Any changes in the market prices, future cash flows or discount rates will affect the recoverable amount of the assets and may lead to the recognition of additional impairment losses. Furthermore, the estimates of cash flows, growth rates and discount rates are subject to higher degree of estimation uncertainties due to the uncertain impact and volatility in markets caused by the COVID-19 pandemic.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 14	\$ 72
Checking accounts and demand deposits	15,124	209,566
Cash equivalents		
Time deposits with original maturities of less than 3 months	<u>263,271</u>	<u>-</u>
	<u>\$ 278,409</u>	<u>\$ 209,638</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	December 31	
	2022	2021
<hr/> Financial assets - current <hr/>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ -	\$ 458
Non-derivatives financial assets		
Mutual funds	<u>119,097</u>	<u>1,222,563</u>
	<u>\$ 119,097</u>	<u>\$ 1,223,021</u>

At the end of the reporting period, outstanding foreign exchange forward contracts accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<hr/> December 31, 2021 <hr/>			
Sell	USD/NTD	2022.01.03-2022.01.17	USD3,700/NTD102,777

The Company entered into forward exchange contracts to manage exposures due to fluctuations of foreign exchange rates. These forward exchange contracts did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for these forward exchange contracts.

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

	December 31	
	2022	2021
Domestic investment		
Listed shares	\$ 1,044,254	\$ 353,542
Unlisted shares	<u>68,465</u>	<u>74,023</u>
	<u>\$ 1,112,719</u>	<u>\$ 427,565</u>

These investments in equity instruments are held for operating strategies and are not held for trading or short-term profit. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
<u>Current</u>		
Time deposit with original maturities of more than 3 months	<u>\$ 1,876,981</u>	<u>\$ 3,550,200</u>

The ranges of annual interest rates for time deposit with original maturities of more than 3 months were 1.40%-4.78% and 0.27%-0.77%, respectively, as at the end of the reporting period.

10. NOTES AND ACCOUNTS RECEIVABLE (INCLUDING RELATED PARTIES)

	December 31	
	2022	2021
<u>Notes receivable (operating)</u>		
At amortized cost	<u>\$ 8,143</u>	<u>\$ 13,858</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 128,623	\$ 93,165
Allowance for impairment loss	<u>45,874</u>	<u>35,060</u>
	<u>\$ 82,749</u>	<u>\$ 58,105</u>
<u>Accounts receivables - related parties</u>		
At amortized cost	<u>\$ 112,910</u>	<u>\$ 136,538</u>

The average credit period of sales of goods is 30-120 days. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook.

The estimate of refund liabilities for expected sales return and discounts was based on the judgment of the Company's management. It was recognized as the deduction of operating revenue in the current year when relevant products were sold. Refund liabilities recognized were NT\$24,634 thousand as of December 31, 2022 (listed as the individual assessment as the following table).

The following table details the loss allowance of notes and accounts receivable.

2022

	Not Past Due	1 to 90 Days	91 to 180 Days	Over 181 Days	Individual Assessment	Total
Gross carrying amount	\$ 136,925	\$ 1,205	\$ -	\$ 37,768	\$ 73,778	\$ 249,676
Loss allowance	<u>(132)</u>	<u>(121)</u>	<u>-</u>	<u>(37,768)</u>	<u>(7,853)</u>	<u>(45,874)</u>
Amortized cost	<u>\$ 136,793</u>	<u>\$ 1,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,925</u>	<u>\$ 203,802</u>

2021

	Not Past Due	1 to 90 Days	91 to 180 Days	Over 181 Days	Individual Assessment	Total
Gross carrying amount	\$ 190,658	\$ 15,134	\$ 4,866	\$ 32,903	\$ -	\$ 243,561
Loss allowance	<u>(395)</u>	<u>(303)</u>	<u>(1,459)</u>	<u>(32,903)</u>	<u>-</u>	<u>(35,060)</u>
Amortized cost	<u>\$ 190,263</u>	<u>\$ 14,831</u>	<u>\$ 3,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,501</u>

The movements of the loss allowance of notes receivable and accounts receivable (including related parties) were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 35,060	\$ 37,596
Recognition (written off)	<u>10,814</u>	<u>(2,536)</u>
Balance at December 31	<u>\$ 45,874</u>	<u>\$ 35,060</u>

11. INVENTORIES

	December 31	
	2022	2021
Raw materials	\$ 141,908	\$ 95,055
Supplies	1,784	1,971
Work in progress	5,151	13,261
Finished goods	<u>103,376</u>	<u>330,865</u>
	<u>\$ 252,219</u>	<u>\$ 441,152</u>

The costs of inventories recognized as operating costs for the years ended December 31, 2022 and 2021 were NT\$1,273,176 thousand and NT\$3,236,563 thousand, respectively, including the following major item.

	For the Year Ended December 31	
	2022	2021
Loss on idle capacity	\$ 244,166	\$ 67,009
Inventory write-downs	<u>\$ 5,670</u>	<u>\$ 1,295</u>

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in subsidiary

	December 31	
	2022	2021
SHIN FOONG TRADING SDN. BHD.	<u>\$ 11,067</u>	<u>\$ 10,132</u>

Refer to Table 5 for more Information on investees.

The Company established its subsidiary SHIN FOONG TRADING SDN. BHD in February 2020. Initial capital was NT\$10,568 thousand (MYR\$1,500, 100% shareholding). Main Businesses and Products are trading of synthetic latex and industrial chemicals.

13. PROPERTY, PLANT AND EQUIPMENT

2022

	Land	Buildings	Machinery and Equipment	Electrical Equipment	Transportation Equipment	Other Equipment	Construction in Progress and Equipment under Installation	Total
Cost								
Balance at January 1, 2022	\$ 968,880	\$ 537,607	\$ 1,391,585	\$ 489,292	\$ 4,860	\$ 338,449	\$ 132,281	\$ 3,862,954
Additions	-	19,207	29,179	8,097	-	15,117	54,054	125,654
Disposals	-	-	(3,657)	(248)	-	(1,026)	-	(4,931)
Balance at December 31, 2022	<u>968,880</u>	<u>556,814</u>	<u>1,417,107</u>	<u>497,141</u>	<u>4,860</u>	<u>352,540</u>	<u>186,335</u>	<u>3,983,677</u>
Accumulated depreciation								
Balance at January 1, 2022	-	150,055	732,929	233,842	2,264	212,999	-	1,332,089
Depreciation expense	-	16,837	68,430	30,664	360	24,503	-	140,794
Disposals	-	-	(3,657)	(230)	-	(1,026)	-	(4,913)
Balance at December 31, 2022	<u>-</u>	<u>166,892</u>	<u>797,702</u>	<u>264,276</u>	<u>2,624</u>	<u>236,476</u>	<u>-</u>	<u>1,467,970</u>
Carrying amount at December 31, 2022	<u>\$ 968,880</u>	<u>\$ 389,922</u>	<u>\$ 619,405</u>	<u>\$ 232,865</u>	<u>\$ 2,236</u>	<u>\$ 116,064</u>	<u>\$ 186,335</u>	<u>\$ 2,515,707</u>

2021

	Land	Buildings	Machinery and Equipment	Electrical Equipment	Transportation Equipment	Other Equipment	Construction in Progress and Equipment under Installation	Total
Cost								
Balance at January 1, 2021	\$ 268,149	\$ 525,606	\$ 1,321,370	\$ 469,618	\$ 2,298	\$ 316,680	\$ 47,147	\$ 2,950,868
Additions	700,731	12,001	70,215	19,932	2,562	22,358	85,134	912,933
Disposals	-	-	-	(258)	-	(589)	-	(847)
Balance at December 31, 2021	<u>968,880</u>	<u>537,607</u>	<u>1,391,585</u>	<u>489,292</u>	<u>4,860</u>	<u>338,449</u>	<u>132,281</u>	<u>3,862,954</u>
Accumulated depreciation								
Balance at January 1, 2021	-	133,503	666,890	204,255	2,057	189,529	-	1,196,234
Depreciation expense	-	16,552	66,039	29,845	207	24,059	-	136,702
Disposals	-	-	-	(258)	-	(589)	-	(847)
Balance at December 31, 2021	-	<u>150,055</u>	<u>732,929</u>	<u>233,842</u>	<u>2,264</u>	<u>212,999</u>	-	<u>1,332,089</u>
Carrying amount at December 31, 2021	<u>\$ 968,880</u>	<u>\$ 387,552</u>	<u>\$ 658,656</u>	<u>\$ 255,450</u>	<u>\$ 2,596</u>	<u>\$ 125,450</u>	<u>\$ 132,281</u>	<u>\$ 2,530,865</u>

The property, plant and equipment of the Company is depreciated on a straight-line basis over the following useful years:

Buildings	
Main structure	15-55 years
Facility	4-55 years
Machinery equipment	
Storage tank equipment	7-21 years
Power and computer equipment	5-21 years
Others	5-31 years
Electronic equipment	
Power distribution engineering	4-16 years
Lines and pumps	5-21 years
Transportation equipment	5-8 years
Other equipment	
Green equipment	3-15 years
Fire equipment	3-26 years
Others	3-21 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amount		
Buildings	\$ 3,704	\$ 5,637
Transportation equipment	2,543	2,052
Other equipment	<u>1,539</u>	<u>121</u>
	<u>\$ 7,786</u>	<u>\$ 7,810</u>

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 3,952</u>	<u>\$ 6,988</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 1,933	\$ 1,933
Transportation equipment	1,655	1,933
Other equipment	<u>358</u>	<u>362</u>
	<u>\$ 3,946</u>	<u>\$ 4,228</u>

Except for the depreciation added and recognized above, there was no significant sub-lease and impairment of the Company's right-of-use assets in 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 3,614</u>	<u>\$ 3,180</u>
Non-current	<u>\$ 3,980</u>	<u>\$ 4,652</u>

Range of discount rates (%) for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	1.1	1.1
Transportation equipment	1.1-1.496	1.12-1.1315
Other equipment	1.1	1.12-1.1315

c. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases and low-value asset leases	<u>\$ 7,226</u>	<u>\$ 4,325</u>
Total cash outflow for leases	<u>\$ 11,485</u>	<u>\$ 8,627</u>

For the buildings and transportation equipment which qualified as short-term leases and office equipment which qualified as low-value asset leases, the Company has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. ACCOUNTS PAYABLE

	December 31	
	2022	2021
Accounts payable	<u>\$ 32,687</u>	<u>\$ 201,767</u>

The Company established a financial risk management policy to ensure all payables are repaid within the credit period agreed to in advance.

16. OTHER PAYABLES

	December 31	
	2022	2021
Bonus	\$ 133,084	\$ 206,595
Compensation of employees and remuneration of directors	80,158	131,829
Repair fees	5,011	24,148
Employee travel grant	23,010	23,010
Export fees	3,397	21,032
Equipment	5,925	18,487
Others (mainly for service fees, freight and pension)	<u>27,987</u>	<u>44,226</u>
	<u>\$ 278,572</u>	<u>\$ 469,327</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "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 pension system implemented by the Company according to the Labor Standards Act of the R.O.C. is the defined benefit plan managed by the government. Payment of employee pensions is calculated based on the employee's years of service and 6-month average wage before the approved date of retirement. The Company makes monthly contributions equal to a certain percentage of employees' monthly salaries and wages to a dedicated account at the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Reserve Fund. Before the end of each year, if the - 45 - balance in the dedicated account is insufficient to pay the retirement benefits of employees who are eligible for retirement in the following year, the deficit will be funded in one appropriation before the end of March in the following year. The dedicated account is managed by the Bureau of Labor Funds, Ministry of Labor. The Company does not have any right to influence its investment management strategy.

The defined benefit plan amounts listed in the balance sheet is as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 38,844	\$ 79,493
Fair value of plan assets	<u>(52,088)</u>	<u>(78,565)</u>
Net defined benefit liabilities (assets)	<u>\$ (13,244)</u>	<u>\$ 928</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 (Assets)
Balance at January 1, 2022	<u>\$ 79,493</u>	<u>\$ (78,565)</u>	<u>\$ 928</u>
Service cost			
Current service cost	334	-	334
Interest expense (income)	<u>596</u>	<u>(600)</u>	<u>(4)</u>
Recognized in profit or loss	<u>930</u>	<u>(600)</u>	<u>330</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(6,475)	(6,475)
Actuarial profit - changes in financial assumptions	(2,304)	-	(2,304)
Actuarial profit - experience adjustments	<u>(3,792)</u>	<u>-</u>	<u>(3,792)</u>
Recognized in other comprehensive income (loss)	<u>(6,096)</u>	<u>(6,475)</u>	<u>(12,571)</u>
Contributions from the employer	-	(1,285)	(1,285)
Benefits paid			
Paid from plan asset	(34,837)	34,837	-
Paid directly by the Company	<u>(646)</u>	<u>-</u>	<u>(646)</u>
	<u>(35,483)</u>	<u>33,552</u>	<u>(1,931)</u>
Balance at December 31, 2022	<u>\$ 38,844</u>	<u>\$ (52,088)</u>	<u>\$ (13,244)</u>
Balance at January 1, 2021	<u>\$ 84,995</u>	<u>\$ (85,434)</u>	<u>\$ (439)</u>
Service cost			
Current service cost	419	-	419
Interest expense (income)	<u>419</u>	<u>(422)</u>	<u>(3)</u>
Recognized in profit or loss	<u>838</u>	<u>(422)</u>	<u>416</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,114)	(1,114)
Actuarial loss - changes in financial assumptions	528	-	528
Actuarial loss - experience adjustments	<u>1,950</u>	<u>-</u>	<u>1,950</u>
Recognized in other comprehensive income (loss)	<u>2,478</u>	<u>(1,114)</u>	<u>1,364</u>
Contributions from the employer	-	(413)	(413)
Benefits paid	<u>(8,818)</u>	<u>8,818</u>	<u>-</u>
	<u>(8,818)</u>	<u>8,405</u>	<u>(413)</u>
Balance at December 31, 2021	<u>\$ 79,493</u>	<u>\$ (78,565)</u>	<u>\$ 928</u>

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

	For the Year Ended December 31	
	2022	2021
Operating costs	\$ 257	\$ 314
Selling and marketing expenses	9	9
General and administrative expenses	47	76
Research and development expenses	<u>17</u>	<u>17</u>
	<u>\$ 330</u>	<u>\$ 416</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 the 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 salary 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 were as follows:

	December 31	
	2022	2021
Discount rate (%)	1.75	0.75
Expected rate of salary increase (%)	1.00-1.50	1.00-1.50

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	\$ (544)	\$ (1,069)
0.25% decrease	<u>\$ 556</u>	<u>\$ 1,095</u>

(Continued)

	December 31	
	2022	2021
Expected rate of salary increase		
0.25% increase	<u>\$ 550</u>	<u>\$ 1,073</u>
0.25% decrease	<u>\$ (540)</u>	<u>\$ (1,053)</u>
		(Concluded)

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
The expected contributions to the plan for the next year	<u>\$ 333</u>	<u>\$ 2,910</u>
The average duration of the defined benefit obligation	6.3 years	5.4 years

18. EQUITY

a. Ordinary shares

	December 31	
	2022	2021
Numbers of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Numbers of shares issued and fully paid (in thousands)	<u>106,174</u>	<u>106,174</u>
Shares issued	<u>\$ 1,061,741</u>	<u>\$ 1,061,741</u>

Fully paid ordinary shares, which have a par value NT\$10, carry one vote per share and the right to dividends.

The employee share option that the Company issued was exercised 50 thousand shares and converted as ordinary shares in May 2021.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset deficits, distribute cash or transfer to share capital (see Note below)		
Additional paid-in capital	\$ 734,171	\$ 734,171
Expired employee share option	<u>15,063</u>	<u>15,063</u>
	<u>\$ 749,234</u>	<u>\$ 749,234</u>

The capital surplus could be used to offset a deficit and distribute as cash dividends or transfer to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations or in the necessary situation, and then any remaining profit together with any undistributed retained earnings shall be used for distribution of dividends and bonuses to shareholders.

In order to consider the overall environment and follow long-term financial planning for sustainable and stable business development. In making its dividend policy, the Company takes into account future capital expenditures and working capital requirements. Based on this policy, dividends should be distributed as follows:

- 1) At least 20% as cash dividends; and
- 2) The remainder after the distribution of cash dividends as share dividends. If there is a requirement for capital expenditures, the Company may distribute only share dividends.

The distributable dividends and bonuses, 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.

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

	Appropriations of Earnings		Dividends Per Share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$ 347,530	\$ 177,371		
Cash dividends	1,592,612	1,061,741	\$ 15	\$ 10

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

	2022
Legal reserve	<u>\$ 18,505</u>
Cash dividends	<u>\$ 159,261</u>
Cash dividends per share (NT\$)	\$ 1.50

The appropriations of earnings for 2022 are subject to the resolution of the shareholders' meeting to be held in May 2023.

d. Other equity item

1) Unrealized gains and losses on financial assets at fair value through other comprehensive income

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 182,831	\$ 77,892
Recognized during the period		
Equity instruments - unrealized evaluating gains and losses	<u>109</u>	<u>104,939</u>
Balance at December 31	<u>\$ 182,940</u>	<u>\$ 182,831</u>

2) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (846)	\$ (454)
Recognized during the year		
Exchange differences on translating of foreign operations	1,104	(279)
Relating income tax	<u>-</u>	<u>(113)</u>
Balance at December 31	<u>\$ 258</u>	<u>\$ (846)</u>

19. OPERATING REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts		
Revenue from sale of goods	<u>\$ 1,702,563</u>	<u>\$ 8,161,714</u>

a. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	<u>\$ 8,143</u>	<u>\$ 13,858</u>	<u>\$ 12,471</u>
Accounts receivable (including related parties)	<u>\$ 195,659</u>	<u>\$ 194,643</u>	<u>\$ 238,329</u>
Contract liabilities - current	<u>\$ 53,764</u>	<u>\$ 48,126</u>	<u>\$ 58,347</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's satisfaction of performance obligations and the respective customer's payment and there are no other significant changes in 2022 and 2021.

b. Disaggregation of revenue

	For the Year Ended December 31	
	2022	2021
<hr/>		
Mainly region		
Asia	\$ 1,320,557	\$ 7,627,423
Taiwan	326,679	433,153
Others	<u>55,327</u>	<u>101,138</u>
	<u>\$ 1,702,563</u>	<u>\$ 8,161,714</u>
<hr/>		
Mainly goods		
Synthetic latex	\$ 1,650,395	\$ 8,161,564
Others	<u>52,168</u>	<u>150</u>
	<u>\$ 1,702,563</u>	<u>\$ 8,161,714</u>

20. PROFIT BEFORE INCOME TAX

a. Other income

	For the Year Ended December 31	
	2022	2021
Dividend income	\$ 37,855	\$ 28,304
Rental income	<u>34</u>	<u>34</u>
	<u>\$ 37,889</u>	<u>\$ 28,338</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net foreign exchange gain (loss)	\$ 29,168	\$ (49,440)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	(4,046)	928
Loss on disposal of property, plant and equipment	(18)	-
Others	<u>1,046</u>	<u>(5,249)</u>
	<u>\$ 26,150</u>	<u>\$ (53,761)</u>

The components of net foreign exchange gain (loss) were as follows:

	For the Year Ended December 31	
	2022	2021
Foreign exchange gain	\$ 36,148	\$ 16,243
Foreign exchange loss	<u>(6,980)</u>	<u>(65,683)</u>
Net exchange gain (loss)	<u>\$ 29,168</u>	<u>\$ (49,440)</u>

c. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 189	\$ 582
Interest on lease liabilities	<u>98</u>	<u>45</u>
	<u>\$ 287</u>	<u>\$ 627</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Depreciation		
Property, plant and equipment	\$ 140,794	\$ 136,702
Right-of-use assets	<u>3,946</u>	<u>4,228</u>
	<u>\$ 144,740</u>	<u>\$ 140,930</u>
Analysis of depreciation by function		
Operating costs	\$ 123,327	\$ 119,986
Operating expenses	<u>21,413</u>	<u>20,944</u>
	<u>\$ 144,740</u>	<u>\$ 140,930</u>
Amortization		
Other non-current assets	<u>\$ 823</u>	<u>\$ 8,963</u>
Analysis of amortization by function		
Operating costs	\$ 583	\$ 6,986
Operating expenses	<u>240</u>	<u>1,977</u>
	<u>\$ 823</u>	<u>\$ 8,963</u>

e. Employee benefits

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits		
Salaries	\$ 134,621	\$ 432,543
Insurance	16,556	16,965
Others	<u>8,859</u>	<u>14,630</u>
	<u>160,036</u>	<u>464,138</u>
Post-employment benefits (Note 17)		
Defined contribution plans	6,511	6,765
Defined benefit plans	<u>330</u>	<u>416</u>
	<u>6,481</u>	<u>7,181</u>
	<u>\$ 166,877</u>	<u>\$ 471,319</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
Analysis of employee benefits by function		
Operating costs	\$ 107,155	\$ 262,837
Operating expenses	<u>59,722</u>	<u>208,482</u>
	<u>\$ 166,877</u>	<u>\$ 471,319</u>
		(Concluded)

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation, the article stipulates the Company distributed compensation of employees and remuneration of directors at the rates no less than 1% and no higher than 2%, respectively, of the pre-tax profit prior to deducting compensation of employees and remuneration of directors.

The compensation of employees and remuneration of directors for the year ended December 31, 2022 which have been approved by the Company's board of directors in February 2023 were as follows:

	Amount
Compensation of employees - cash	\$ 2,996
Remuneration of directors - cash	5,500

If there is a change in the amounts after the annual financial statements are authorized for issue, the difference is recorded as a change in accounting estimate in the next following year.

The appropriations of compensation of employees and remuneration of directors for 2021 and 2020 which had been approved by the Company's board of directors in February 2022 and March 2021, respectively, were as follows. The actual amount distributed in 2021 was different from the amount recognized in the individual financial statements, and the difference was adjusted into the income/loss in 2022.

	2021		2020	
	Compensation of Employees	Remuneration of Directors	Compensation of Employees	Remuneration of Directors
Amount to be distributed according to the Board of Directors resolution	<u>\$ 69,764</u>	<u>\$ 20,000</u>	<u>\$ 35,392</u>	<u>\$ 10,000</u>
Amount recognized in the financial statements	<u>\$ 69,764</u>	<u>\$ 26,673</u>	<u>\$ 35,392</u>	<u>\$ 10,000</u>

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

- g. Impairment losses were recognized on non-financial assets

	For the Year Ended December 31	
	2022	2021
Write-down of inventory	\$ 5,670	\$ 1,295
Loss on slow-moving of supplies inventory	<u>575</u>	<u>864</u>
	<u>\$ 6,245</u>	<u>\$ 2,159</u>

21. INCOME TAX

- a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 46,876	\$ 844,257
Income tax on unappropriated earnings	74,526	19,645
In respect of the prior years	(9,779)	(3,246)
Deferred tax		
In respect of the current year	<u>3,006</u>	<u>21,585</u>
	<u>\$ 114,629</u>	<u>\$ 882,241</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before income tax	<u>\$ 289,622</u>	<u>\$ 4,358,627</u>
Income tax expense calculated at the statutory rate	\$ 57,924	\$ 871,725
Nontaxable income in determining taxable income	(8,042)	(5,883)
Income tax on unappropriated earnings	74,526	19,645
In respect of the prior years	<u>(9,779)</u>	<u>(3,246)</u>
	<u>\$ 114,629</u>	<u>\$ 882,241</u>

- b. Income tax which was recognized in other comprehensive loss

	For the Year Ended December 31	
	2022	2021
<hr/>		
Deferred tax		
Remeasurement of defined benefit plans	\$ 2,514	\$ (273)
Exchange differences on translating of foreign financial statements	<u>-</u>	<u>113</u>
	<u>\$ 2,514</u>	<u>\$ (160)</u>

c. Current tax liabilities

	December 31	
	2022	2021
Current tax liabilities		
Income tax payable	<u>\$ 116,863</u>	<u>\$ 626,444</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
The time difference of revenue recognition between fiscal and tax	\$ 18,837	\$ (13,914)	\$ -	\$ 4,923
Excessive of allowance for impaired losses	6,525	2,150	-	8,675
Unrealized loss on inventories	455	1,134	-	1,589
Idle capacity loss	1,315	3,588	-	4,903
Refund liabilities	-	4,927	-	4,927
Others	<u>4,393</u>	<u>150</u>	<u>(544)</u>	<u>3,999</u>
	<u>\$ 31,525</u>	<u>\$ (1,965)</u>	<u>\$ (544)</u>	<u>\$ 29,016</u>
<u>Deferred Tax liabilities</u>				
Temporary differences				
Defined benefit plans	\$ 359	\$ 320	\$ 1,970	\$ 2,649
Others	<u>173</u>	<u>721</u>	<u>-</u>	<u>894</u>
	<u>\$ 532</u>	<u>\$ 1,041</u>	<u>\$ 1,970</u>	<u>\$ 3,543</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
The time difference of revenue recognition between fiscal and tax	\$ 44,410	\$ (25,573)	\$ -	\$ 18,837
Excessive of allowance for impaired losses	6,943	(418)	-	6,525
Others	<u>1,818</u>	<u>3,914</u>	<u>431</u>	<u>6,163</u>
	<u>\$ 53,171</u>	<u>\$ (22,077)</u>	<u>\$ 431</u>	<u>\$ 31,525</u>
<u>Deferred Tax liabilities</u>				
Temporary differences				
Defined benefit plans	\$ 89	\$ (1)	\$ 271	\$ 359
Others	<u>664</u>	<u>(491)</u>	<u>-</u>	<u>173</u>
	<u>\$ 753</u>	<u>\$ (492)</u>	<u>\$ 271</u>	<u>\$ 532</u>

e. Income tax assessments

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

22. EARNINGS PER SHARE

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

Net profit for the year

	For the Year Ended December 31	
	2022	2021
Net profit for the year attributable to owners of the Company	\$ <u>174,993</u>	\$ <u>3,476,386</u>

Number of shares (in thousand shares)

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	106,174	106,169
Effect of dilutive potential ordinary shares:		
Compensation of employees	151	462
Employee share options	<u>-</u>	<u>9</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>106,325</u>	<u>106,640</u>

The Company may settle the compensation paid to employees in cash or shares; therefore, the Company assumes 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 effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. Share-Based Payment Agreements

In order to attract and retain the professional talents needed by the Company, enhance employees' solidarity and sense of belonging to the Company and jointly create the interests of the Company and shareholders, qualified employees of the Company was granted 2,318 options in April 2016. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 5 years, exercisable as the following schedule after the second year from the grant date. The options were granted at an exercise price higher than the net value per share of the latest auditing financial statement. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly. According to the appropriations of cash dividends have been approved in the shareholders' meetings in 2020, the exercise price has been adjusted from NT\$18.3 to NT\$17.7 since August 2020.

Schedule	Options exercisable ratio (%) (cumulation)
After the second year	50
After the third year	75
After the fourth year	100

Information on employee share options granted in April 2016 as follows:

Employee share options	Unit (Thousand Share)	Exercise Price
Options granted in April 2016	<u>2,318</u>	<u>\$ 23</u>
Weighted-average fair value of options granted in April 2016 (\$)	<u>\$ 50.97</u>	

Information on outstanding options was as follows:

Options	2021	
	Unit (Share)	Exercise Price (Dollar)
Balance at January 1	350,000	\$ 17.7
Options expired	(300,000)	17.7
Options exercised	<u>(50,000)</u>	17.7
Balance at December 31	<u>-</u>	
Options exercisable, end of the year	<u>-</u>	

The weighted-average share price on the exercise date of the share options for the years ended December 31, 2021 was NT\$226.91. The difference between the exercise price and the par value of each ordinary share was NT\$385 thousand that was included in the capital surplus - additional paid-in capital.

Information on outstanding options was as follows:

	December 31, 2021
Range of exercise price (\$)	\$ 17.7
Weighted-average remaining contractual life	0 years

Options using the Black-Scholes-Merton pricing model, and the inputs to the model are as follows:

Grant-date share price	\$73.21
Exercise price	\$23
Expected volatility	31.09-31.92
Expected life (in years)	3.5-4.5
Expected dividend yield (%)	-
Expected exercise ratio (%)	100
Risk-free interest rate (%)	0.53-0.58

Compensation costs recognized was NT\$0 for the year ended December 31, 2021.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

The management of the Company considers that the carrying amounts of those financial assets and financial liabilities that are not measured at fair value recognized in the financial statements approximate their fair values.

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
<u>December 31, 2022</u>				
Financial assets at FVTPL -				
current				
Foreign exchange forward				
contracts	\$ -	\$ -	\$ -	\$ -
Mutual funds	<u>119,097</u>	<u>-</u>	<u>-</u>	<u>119,097</u>
	<u>\$ 119,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,097</u>
Financial assets at FVTOCI –				
non-current				
Equity instruments				
Domestic listed shares	\$ 1,044,254	\$ -	\$ -	\$ 1,044,254
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>68,465</u>	<u>68,465</u>
	<u>\$ 1,044,254</u>	<u>\$ -</u>	<u>\$ 68,465</u>	<u>\$ 1,112,719</u>
	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial assets at FVTPL -				
current				
Foreign exchange forward				
contracts	\$ -	\$ 458	\$ -	\$ 458
Mutual funds	<u>1,222,563</u>	<u>-</u>	<u>-</u>	<u>1,222,563</u>
	<u>\$ 1,222,563</u>	<u>\$ 458</u>	<u>\$ -</u>	<u>\$ 1,223,021</u>
Financial assets at FVTOCI –				
non-current				
Equity instruments				
Domestic listed shares	\$ 353,542	\$ -	\$ -	\$ 353,542
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>74,023</u>	<u>74,023</u>
	<u>\$ 353,542</u>	<u>\$ -</u>	<u>\$ 74,023</u>	<u>\$ 427,565</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

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

Type of financial instruments	Evaluation techniques and inputs
Derivatives	The estimates and assumptions used by the Company were consistent with those that market participants would use in setting a price for the financial instrument and that information was available to the Company. The Company calculates the fair value of individual derivative contracts based on the average exchange rate of the counterparties' financial institutions in accordance with the quoting system and the expired date rate of each contract, respectively.

3) Reconciliation of Level 3 fair value measurements of financial assets - FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 74,023	\$ 71,972
Recognized in other comprehensive income (loss)	<u>(5,558)</u>	<u>2,051</u>
Balance at December 31	<u>\$ 68,465</u>	<u>\$ 74,023</u>

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

The fair values of unlisted equity securities - ROC were determined using the income approach. In the third quarter of 2021, after considering the industry status and the investment's future business development, the method of fair value measurement was more appropriate to convert market approach to income approach. And it was determined by industry category, evaluation of similar companies and the company's operating situation.

c. Categories of financial instruments

	December 31	
	2022	2021
Financial assets		
Financial assets at fair value through profit or loss	\$ 119,097	\$ 1,223,021
Financial assets at fair value through other comprehensive income - equity instruments	1,112,719	427,565
Financial assets at amortized cost (1)	2,362,910	3,985,329
Financial liabilities		
Financial liabilities at amortized cost (2)	311,259	671,094

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

- 2) The balances included financial liabilities at amortized cost, which comprise accounts payable and other payables.

d. Financial risk management objectives and policies

The Company's major financial instruments include notes and accounts receivable, notes and accounts payable and lease liabilities. The Company's financial officers according to the needs of the company's operating conditions at each stage to formulate financial strategies and coordinate domestic and international financial operations, prepares and analyzes internal risk reports to monitor and manage financial risks related to the operation of the Company. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The significant financial activities of the Company are reviewed by the board of directors in accordance with relevant regulations and internal controls. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

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

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

a) Foreign currency risk

The Company exposed to foreign currency risk due to sales and purchases and fulfills capital expenditures, denominated in foreign currencies. Exchange rate exposures were managed within utilizing the same currency for forward foreign exchange contract transactions to alleviate foreign currency risk and risk to manage futures.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed foreign currency risk at the end of the reporting period are set out in Note 27.

The Company was mainly exposed to the fluctuation of USD. The following table details the Company's sensitivity to a 1% increase in the New Taiwan dollars against the relevant foreign currencies. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only the outstanding foreign currency denominated monetary items.

	USD Impact (Note)	
	For the Year Ended December 31	
	2022	2021
Profit before income tax (Note)	\$ (1,860)	\$ (1,097)

Note: This was mainly attributable to the exposure of outstanding USD cash and cash equivalents, accounts receivable (including related parties), other receivables, accounts payable and other payables, which were not hedged at the balance sheet date.

The management of the Company believes that the sensitivity analysis cannot represent the inherent risk of exchange rate, because the foreign currency exposures on the balance sheet date cannot reflect the interim exposures, and sales denominated in US dollars will vary with the customers' orders and business cycle.

b) Interest rate risk

The carrying amounts of the Company and its subsidiary's financial assets and liabilities with exposure to interest rates at the balance sheet date were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial liabilities	\$ 7,594	\$ 7,832
Cash flow interest rate risk		
Financial assets	2,155,359	3,759,232

If the interest rate increases/decreases by 1%, and all other variables remain unchanged, the pre-tax net profit of the company in 2022 and 2021 will increase/decrease by NT\$21,554 thousand and NT\$37,592 thousand.

c) Other price risk

The Company was exposed to equity price risk through their investments in domestic listed and unlisted shares and mutual funds.

If equity price of fair value through profit or loss financial assets had been higher or lower by 1%, the pre-tax income, for the years ended December 31, 2022 and 2021 would have been higher or lower by NT\$1,191 thousand and NT\$12,230 thousand, respectively.

And if equity price of fair value through other comprehensive income financial assets had been higher or lower by 1%, the pre-tax-other comprehensive income, for the years ended December 31, 2022 and 2021 would have been higher or lower by NT\$11,127 thousand and NT\$4,276 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the balance sheet date, the Company's maximum exposure to credit risk is the carrying amount of the financial assets on the balance sheets and the amount of contingent liabilities in relation to financial guarantee issued by the Company.

The Company made transactions with the parties with good credit. The business department grants the current credit limit according to the results of each credit investigation, and regularly tracks the customers' collection situation, and also accounts for a full amount of impairment losses.

When the counterparties of the Company's receivables transactions are significantly concentrated in certain customers, most of them are engaged in similar business activities and have similar economic characteristics, and their abilities to perform contracts are similarly affected by economic or other conditions, a significant concentration of credit risk occurs. The balance of receivables from customers with significant concentration of credit risk is as follows:

Customer Name	December 31	
	2022	2021
Chung Hwa Pulp Corporation	<u>\$ 105,400</u>	<u>\$ 120,809</u>

3) Liquidity risk

The Company manage liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows and monitor the utilization of bank borrowings. As of December 31, 2022, and 2021, the unutilized credit facilities of the Company were NT\$504,817 thousand and NT\$1,074,400 thousand, respectively.

The table below summarizes the maturity profile of the Company's financial liabilities based on the earliest date on which repayment may be required and undiscounted cash flows (including the cash flows of interest and principal):

	Less Than 1 Year	1-5 Years	Total
<u>December 31, 2022</u>			
Accounts payable	\$ 32,687	\$ -	\$ 32,687
Lease liabilities	3,681	4,020	7,701
Other payables	<u>278,572</u>	<u>-</u>	<u>278,572</u>
	<u>\$ 314,940</u>	<u>\$ 4,020</u>	<u>\$ 318,960</u>
	Less Than 1 Year	1-5 Years	Total
<u>December 31, 2021</u>			
Accounts payable	\$ 201,767	\$ -	\$ 201,767
Lease liabilities	3,249	4,701	7,950
Other payables	<u>469,327</u>	<u>-</u>	<u>469,327</u>
	<u>\$ 674,343</u>	<u>\$ 4,701</u>	<u>\$ 679,044</u>

25. TRANSACTIONS WITH RELATED PARTIES

- a. The name of the company and its relationship with the Company

Company	Relationship
YFY Packaging Inc.	Fellow subsidiary
YFY Japan Co., Ltd.	Fellow subsidiary
YFY Development Corp.	Fellow subsidiary
Chung Hwa Pulp Corporation	Fellow subsidiary
YFY Corporate Advisory and Services Co., Ltd.	Fellow subsidiary
Fidelis IT Solutions Co., Ltd.	Fellow subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiary
China Color Printing Co., Ltd.	Fellow subsidiary

(Continued)

Company	Relationship
Yuen Foong Yu Biotech Co., Ltd.	Associate
SinoPac Securities Corporation	Associate
Yuen Foong Paper Co., Ltd.	Associate
Yuen Foong Shop CO., Ltd.	Associate
SHIN FOONG TRADING SDN. BHD.	Subsidiary
Hsin-Yi Enterprise Co., Ltd.	Substantial related party
	(Concluded)

b. Operating revenue

Account Items	Related Party Type /Name	For the Year Ended December 31	
		2022	2021
Sale of goods	Fellow subsidiaries		
	Chung Hwa Pulp Corp.	\$ 228,545	\$ 258,230
	Others	<u>25,635</u>	<u>38,560</u>
		<u>\$ 254,180</u>	<u>\$ 296,790</u>

Parts of item of the Company that was not sold to unrelated parties; therefore, the price of items was incomparable to those items sold to related parity. Other item's prices were slightly lower than unrelated parties due to bulk sales but the difference is not significant. The terms of receivable for related parties were 120 days of monthly settlement, and unrelated parties were prepayment or 1-4 months of monthly settlement.

c. Purchase of goods

Related Party Type/Name	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	<u>\$ 4,031</u>	<u>\$ 2,773</u>

The purchase price from related parties were not significantly different from unrelated parties. And the payment terms were 1 to 3 months of monthly settlement, which were not significantly different from unrelated parties.

d. Accounts receivable from related parties

Account Items	Related Party Type /Name	December 31	
		2022	2021
Accounts receivable from related parties	Fellow subsidiaries		
	Chung Hwa Pulp Corp.	\$ 105,400	\$ 120,809
	Others	<u>7,510</u>	<u>15,729</u>
		<u>\$ 112,910</u>	<u>\$ 136,538</u>

No guarantees have been received for accounts receivable and other receivable from related parties. No expenses have been recognized for the years ended December 31, 2022 and 2021 for allowance for impairment of accounts receivable in respect of the amounts owed by related parties.

e. Accounts payable to related parties

Account Items	Related Party Type /Name	December 31	
		2022	2021
Other payable	Fellow subsidiaries	\$ 4,538	\$ 1,473
	Subsidiary	1,228	2,214
	Associates	104	55
	Substantial related party	<u>93</u>	<u>78</u>
		<u>\$ 5,963</u>	<u>\$ 3,820</u>

The outstanding accounts payable to related parties and other payable to related parties were unsecured.

f. Prepayment

Related Party Type/Name	December 31	
	2022	2021
Fellow subsidiaries	<u>\$ 780</u>	<u>\$ 687</u>

g. Leases

Lease Expense	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	<u>\$ 360</u>	<u>\$ -</u>
Substantial related party	<u>\$ 788</u>	<u>\$ 356</u>

In January 2022, the Company leased the laboratory from its fellow subsidiary for 12 months, and the rent was NT\$30 thousand per month.

The Company leased an office from its substantial related party for 12 months, and the rent was NT\$66 thousand per month.

h. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 31,368	\$ 85,695
Post-employment benefits	<u>560</u>	<u>572</u>
	<u>\$ 31,928</u>	<u>\$ 86,267</u>

i. Other transactions of related parties

The Company signed an administrative service contract with a fellow subsidiary to provide administrative support, product-related R&D and testing services. The related expenses were NTD\$8,083 thousand and NT\$11,737 thousand for the years ended December 31, 2022 and 2021, respectively, which were included in the operating and manufacturing expenses.

The Company signed a contract for service with subsidiary to provide technical services such as market information and business of latex in Southeast Asia. The related expenses were NTD\$8,047 thousand and NT\$18,640 thousand for the years ended December 31, 2022 and 2021, respectively, which were included in the operating expenses.

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments of the Company as of December 31, 2022 were as follows:

- a. The Company signed commitments for the acquisition of property, plant and equipment amounted to NT\$288,576 thousand, of which NT\$100,889 thousand was unrecognized.
- b. Unused letters of credit for purchases of raw materials amounted to approximately NT\$38,700 thousand and EUR\$2,055 thousand.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currency (In Thousands)	Exchange Rate(\$)	Carrying Amount (In Thousands)
<hr/> December 31, 2022 <hr/>			
Monetary financial assets			
USD	\$ 6,098	30.71 (USD:NTD)	\$ 187,263
JPY	377	0.2324 (JPY:NTD)	88
EUR	\$ 1,047	32.72 (EUR:NTD)	\$ 34,273
Non-monetary financial assets			
Investment accounted for using equity method			
USD	360	30.71 (USD:NTD)	11,067
Monetary financial liabilities			
USD	40	30.71 (USD:NTD)	1,228
<hr/> December 31, 2021 <hr/>			
Monetary financial assets			
USD	4,202	27.68 (USD:NTD)	116,310
JPY	11,621	0.2405 (JPY:NTD)	2,795
EUR	2,594	31.32 (EUR:NTD)	81,234
Non-monetary financial assets			
Investment accounted for using equity method			
USD	366	27.68 (USD:NTD)	10,132
Monetary financial liabilities			
USD	238	27.68 (USD:NTD)	6,585

For the years ended December 31, 2022 and 2021, net foreign exchange gains were NT\$29,168 thousand and losses were NT\$49,440 thousand, 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 currencies.

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 1)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 2)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 9) Trading in derivative instruments (Note 7)

b. Information on investees (Table 5)

c. Information on investments in mainland China (None)

d. Major shareholder information: names of shareholders holding more than 5% of the shares, amount and proportion of shares held (Table 6)

29. SEGMENT INFORMATION

The Company has provided the operating segments disclosure in the consolidated financial statements.

TABLE 1**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.****MARKETABLE SECURITIES HELD****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	
The Company	Beneficiary certificates							
	SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,115,690.20	\$ 44,008		\$ 44,008	
	PIMCO GIS Total Return Bond Fund-E Class	-	Financial assets at fair value through profit or loss - current	218,899.205	75,089		75,089	
					<u>\$ 119,097</u>		<u>\$ 119,097</u>	
	Ordinary Shares							
	SinoPac Financial Holdings Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	22,110,054	\$ 370,343	0.19	\$ 370,343	
	Foongtone Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,884,415	68,465	11.78	68,465	
	Cathay Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	271,708	10,868	0.00	10,868	
	Preference Share							
	Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	3,292,000	198,837	0.55	198,837	
	Cathay Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	3,329,000	188,421	0.40	188,421	
	Taishin Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	3,925,000	202,530	0.79	202,530	
	WPG Holdings Corporation	-	Financial assets at fair value through other comprehensive income - non-current	874,000	42,827	0.44	42,827	
	Yulon Finance Corporation	-	Financial assets at fair value through other comprehensive income - non-current	605,000	30,428	0.65	30,428	
					<u>\$ 1,112,719</u>		<u>\$ 1,112,719</u>	

TABLE 2**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.****MARKETABLE SECURITIES ACQUIRED AND 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****(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain on Disposal	Shares/Units	Amount
The Company	SinoPac TWD Money Market Fund	Financial assets at fair value through profit of loss - current	-	-	34,899,171.50	\$ 490,236	38,667,222.6	\$ 544,000	70,450,703.9	\$ 991,298	\$ 990,000	\$ 1,298	3,115,690.2	\$ 44,008
	Mega Diamond Money Market Fund	Financial assets at fair value through profit of loss - current	-	-	31,575,235.95	400,298	51,229,668.52	650,000	82,804,904.47	1,051,509	1,050,000	1,509	-	-
	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit of loss - current	-	-	15,236,098.50	250,171	-	-	15,236,098.50	250,958	250,000	958	-	-

TABLE 3

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

**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)**

Seller	Related Party	Relationship	Relationship				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Chung Hwa Pulp Corporation	Fellow subsidiary	Sale	\$ 228,545	13.4	120 days of monthly settlement	Refer to Note 25	Refer to Note 25	\$ 105,400	51.7	

TABLE 4

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

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		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Chung Hwa Pulp Corporation	Fellow Subsidiary	\$ 105,400	2.02	\$ -	-	\$ 43,806	\$ -

TABLE 5

SHIN FOONG SPECIALTY &APPLIED MATERIALS CO., LTD

INFORMATION ON INVESTEES
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		Number of Shares	%	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021						
Shin Foong Specialty & Applied Material Co., Ltd.	Shin Foong Trading SdN Bhd.	Malaysia	Trading of synthetic latex and industrial chemicals	\$ 10,568	\$ 10,568	1,500,000	100.00	\$ 11,067	\$ (169)	\$ (169)	

TABLE 6**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.****MAJOR SHAREHOLDER INFORMATION
DECEMBER 31, 2022**

Major shareholders	Shares	
	Number of shares held	Shareholding (%)
YFY Inc.	50,968,248	48.00

Note: The information of major shareholder presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholder with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter. 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.

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

THE CONTENT OF STATEMENT OF MAJOR ACCOUNTING ITEMS

Item	Statement Index
Statement of Assets, Liabilities and Equity	
Statement of cash and cash equivalents	Statement 1
Statement of financial assets at fair value through profit or loss - current	Note 7
Statement of financial assets at amortized cost - current	Note 9
Statement of notes receivable	Statement 2
Statement of accounts receivable	Statement 3
Statement of inventories	Statement 4
Statement of prepayments	Statement 5
Statement of financial assets at fair value through other comprehensive income – non-current	Statement 6
Statement of investments accounted for using the equity method	Statement 7
Statement of changes in property, plant and equipment	Note 13
Statement of changes in accumulated depreciation of property, plant and equipment	Note 13
Statement of changes in right-of-use assets	Statement 8
Statement of deferred income tax assets	Note 21
Statement of other non-current assets	Statement 9
Statement of accounts payables	Statement 10
Statement of other payables	Note 16
Refund liabilities	Note 10
Statement of deferred income tax liabilities	Note 21
Statement of lease liabilities	Statement 11
Statement of Profit and Loss	
Statement of operating revenue	Statement 12
Statement of operating costs	Statement 13
Statement of operating expenses	Statement 14
Statement of non- operating income and expenses	Note 20
Statement of finance costs	Note 20
Statement of employee benefits expense, depreciation and amortization by function	Statement 15

STATEMENT 1**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Amount
Cash in banks	
TWD deposits	
Checking deposits	\$ 17
Demand deposits	10,696
Foreign deposits (Note)	
US\$141 thousand and JPY\$377 thousand	4,411
Cash Equivalents	
Time deposits (Note)	
TWD	
The ranges of annual interest rates were 0.83% ~	
1.40%, January 10, 2023 and March 27, 2023	229,000
EUR\$1,047 thousand	
The ranges of annual interest rates were 0.20%,	
January 30, 2023	34,271
Cash on hand	14
	<u>\$ 278,409</u>

Note: USD is translated at exchange rate of USD\$1=TWD\$30.71.

EUR is translated at exchange rate of EUR\$1=TWD\$32.72.

JPY is translated at exchange rate of JPY\$1=NTD\$0.2324.

STATEMENT 2

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

**STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Client Name	Amount	Note
Client A	\$ 6,416	Sales of goods
Client B	1,413	Sales of goods
Other (Note)	<u>314</u>	Sales of goods
	<u>\$ 8,143</u>	

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

STATEMENT 3

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENT OF ACCOUNTS RECEIVABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Note
Unrelated parties		
Client C	\$ 31,059	Sales of goods
Client D	25,284	Sales of goods
Client E	21,214	Sales of goods
Client F	18,887	Sales of goods
Client G	14,868	Sales of goods
Client H	5,403	Sales of goods
Other (Note)	<u>11,908</u>	Sales of goods
	128,623	
Allowance for impairment loss	<u>45,874</u>	
	<u>\$ 82,749</u>	
Related parties		
Chung Hwa Pulp Corporation	\$ 105,400	Sales of goods
YFY Packaging Inc.	<u>7,510</u>	Sales of goods
	<u>\$ 112,910</u>	

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

STATEMENT 4

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENT OF INVENTORIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Items	Amount	
	Cost (Note 1)	Net Realizable Value (Note 2)
Raw materials	\$ 141,908	\$ 141,908
Supplies	1,784	1,784
Work in process	5,151	6,317
Finished goods	<u>103,376</u>	<u>132,688</u>
	<u>\$ 252,219</u>	<u>\$ 282,697</u>

Note 1: Write-downs of inventories for the year ended December 31, 2022.

Note 2: The net realizable value refers to Note 4.

STATEMENT 5

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENT OF PREPAYMENTS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount
Office supplies	\$ 33,902
Prepaid expenses	7,509
Overpaid sales tax	<u>961</u>
	<u>\$ 42,372</u>

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars)

	Balance, January 1, 2022		Additions in Investment (Note 1)		Decrease in Investment (Note 2)		Unrealized gain or loss on financial instrument	Balance, December 31, 2022		Collateral	Other Notes
	Shares	Amount	Acquired Shares	Amount	Shares	Amount		Shares	Fair Value		
Ordinary Shares - listed company											
SinoPac Financial Holdings Co., Ltd.	21,891,143	\$ 353,542	218,911	\$ -	-	\$ -	\$ 16,801	22,110,054	\$ 370,343	Nil	
Cathay Financial Holding Co., Ltd.	-	-	271,708	9,509	-	-	1,359	271,708	10,868	Nil	
Ordinary Shares - unlisted company											
Foongtone Technology Co., Ltd.	2,884,415	74,023	-	-	-	-	(5,558)	2,884,415	68,465	Nil	
Preference Share- listed company											
Fubon Financial Holding Co., Ltd.	-	-	3,293,000	201,028	1,000	63	(2,128)	3,292,000	198,837	Nil	
Cathay Financial Holding Co., Ltd.	-	-	3,329,000	200,981	-	-	(12,560)	3,329,000	188,421	Nil	
Taishin Financial Holding Co., Ltd.	-	-	3,925,000	200,977	-	-	1,553	3,925,000	202,530	Nil	
WPG Holdings Corporation	-	-	874,000	42,187	-	-	640	874,000	42,827	Nil	
Yulon Finance Corporation	-	-	605,000	30,426	-	-	2	605,000	30,428	Nil	
		<u>\$ 427,565</u>		<u>\$ 685,108</u>		<u>\$ 63</u>	<u>\$ 109</u>		<u>\$ 1,112,719</u>		

Note 1: Acquisition of financial assets at fair value through other comprehensive income and dividends received.

Note 2: Proceeds from disposal of financial assets at fair value through other comprehensive income.

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

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

Name and Type of Securities	Balance, January 1, 2022		Additions in Investment		Decrease in Investment		Balance, December 31, 2022			Net Assets Value		
	Shares	Amount	Acquired Shares	Amount	Shares	Amount	Shares	Percentage of Ownership		Unite Price	Total Amount	Collateral
								(%)	Amount			
SHIN FOONG TRADING SDN. BHD.	1,500,000	<u>\$10,132</u>	-	<u>\$ 1,104</u> (Note 1)	-	<u>(\$ 169)</u> (Note2)	1,500,000	100	<u>\$11,067</u>	\$7.38	<u>\$11,067</u>	Nil

Note 1: Including exchange differences arising on translating the financial statements of foreign operations.

Note 2: The share of loss of subsidiary for using equity method.

SHIN FOONG SPECIALTY & APPLIED 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 January 1, 2022	Addition	Deduction	Balance at December 31, 2022	Note
Cost					
Buildings	\$ 12,902	\$ -	\$ 7,105	\$ 5,797	
Transportation equipment	7,543	2,146	2,756	6,933	
Other equipment	<u>1,362</u>	<u>1,806</u>	<u>1,246</u>	<u>1,922</u>	
	<u>21,807</u>	<u>\$ 3,952</u>	<u>\$ 11,107</u>	<u>14,652</u>	
Accumulated depreciation					
Buildings	7,265	\$ 1,933	\$ 7,105	2,093	
Transportation equipment	5,491	1,655	2,756	4,390	
Other equipment	<u>1,241</u>	<u>358</u>	<u>1,216</u>	<u>383</u>	
	<u>13,997</u>	<u>\$ 3,946</u>	<u>\$ 11,077</u>	<u>6,866</u>	
	<u>\$ 7,810</u>			<u>\$ 7,786</u>	

STATEMENT 9

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

**STATEMENT OF OTHER NON-CURRENT ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Balance at January 1, 2022	Addition	Deduction	Balance at December 31, 2022
Unamortized expense	\$ 8,810	\$ -	\$ -	\$ 8,810
Accumulated amortization	(6,829)	(\$ 823)	\$ -	(7,652)
	<u>\$ 1,981</u>			<u>\$ 1,158</u>

Note: Balance at January 1, 2022 item refers to software.

STATEMENT 10

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENT OF ACCOUNTS PAYABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Company A	\$ 6,227
Company B	4,131
Company C	3,553
Company D	3,028
Company E	2,875
Company F	2,136
Company G	1,764
Company H	1,684
Other (Note)	<u>7,289</u>
	<u>\$ 32,687</u>

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

STATEMENT 11**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.****STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Lease Terms	Discount Rate (%)	Balance at December 31, 2022	Note
Buildings	110.12.01~113.11.30	1.1	\$ 3,727	
Transportation equipment	108.05.02~114.10.03	1.1~1.496	2,320	
Other equipment	109.10.01~116.02.01	1.1	<u>1,547</u>	
			7,594	
Less: Current			<u>3,614</u>	
Lease liabilities – non-current			<u>\$ 3,980</u>	

STATEMENT 12

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

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

<u>Item</u>	<u>Quantity(tons)</u>	<u>Amount</u>
Sales revenue		
Synthetic latex	41,697	\$ 1,677,361
Other		<u>52,168</u>
		1,729,529
Sales discounts and allowances		(<u>26,966</u>)
Net operating revenue		<u>\$ 1,702,563</u>

STATEMENT 13**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.****STATEMENT OF OPERATEING COST
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Amount (Note)
Raw materials, beginning of year	\$ 95,055
Material purchased	725,933
Raw materials, end of year	(141,908)
Other	(63,834)
Direct raw materials consumed	<u>615,246</u>
Supplies, beginning of year	1,971
Supplies purchased	29,303
Supplies, end of year	(1,784)
Other	<u>231</u>
Direct raw supplies consumed	<u>29,721</u>
Direct labor	15,615
Manufacturing expenses	<u>87,255</u>
Manufacturing cost	747,837
Work in process, beginning of year	13,261
Finished goods, end of year	(5,151)
Finished goods cost	755,947
Finished goods, beginning of year	330,865
Finished goods purchased	25
Finished goods, end of year	(103,376)
Other	(210)
Cost of goods sold	983,251
Loss on idle capacity	244,166
Other	<u>45,759</u>
Operating costs	<u>\$ 1,273,176</u>

Note: Write-downs of inventories in the beginning and at the end of the year.

STATEMENT 14**SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.****STATEMENT OF OPERATEING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Expected credit loss (gain)	Total
Salary expense (pension included)	\$ 8,827	\$ 27,446	\$ 13,642	\$ -	\$ 49,915
Freight	52,844	-	-	-	52,844
Packing expenses	22,279	-	-	-	22,279
Export expense	10,512	-	-	-	10,512
Service fees	9,362	8,720	7,369	-	25,451
Depreciation expense	140	14,357	6,916	-	21,413
Insurance expense	3,286	4,902	1,391	-	9,579
Uncollectible accounts	-	-	-	10,814	10,814
Rent expense	515	2,011	363	-	2,889
Entertainment expense	844	450	-	-	1,294
Travelling expense	952	648	99	-	1,699
Other	<u>3,713</u>	<u>15,149</u>	<u>3,153</u>	<u>-</u>	<u>22,015</u>
	<u>\$ 113,274</u>	<u>\$ 73,683</u>	<u>\$ 32,933</u>	<u>\$ 10,814</u>	<u>\$ 230,704</u>

SHIN FOONG SPECIALTY & APPLIED MATERIALS CO., LTD.

STATEMENT OF EMPLOYMENT BENEFITS, DEPRECIATION AND AMORTIZATION BY FUNCTION

FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employment expense						
Salary expense	\$ 87,128	\$ 41,719	\$ 128,847	\$ 237,393	\$ 168,477	\$ 405,870
Insurance expense	9,525	7,031	16,556	10,331	6,634	16,965
Pension expense	4,419	2,422	6,841	4,853	2,328	7,181
Compensation for directors	-	5,774	5,774	-	26,673	26,673
Other	6,083	2,776	8,859	10,260	4,370	14,630
	<u>\$ 107,155</u>	<u>\$ 59,722</u>	<u>\$ 166,877</u>	<u>\$ 262,837</u>	<u>\$ 208,482</u>	<u>\$ 471,319</u>
Depreciation expense	\$ 123,327	\$ 21,413	\$ 144,740	\$ 119,986	\$ 20,944	\$ 140,930
Amortization	583	240	823	6,986	1,977	8,963

Note 1 : As of December 31, 2022, and 2021, the company had 206 and 209 employees in average, including 6 board of directors who were not classified as employees in both years.

Note 2 : Additional disclosures are as following:

1. For the year ended December 31, 2022, the average employment benefit expense was \$806 thousand.
For the year ended December 31, 2021, the average employment benefit expense was \$2,190 thousand.
2. For the year ended December 31, 2022, the average salary expense was \$644 thousand.
For the year ended December 31, 2021, the average salary expense was \$1,999 thousand.
3. Average salary adjustment was -67.78%.
4. The Company did not have supervisions.

(Continued)

5. The Company uses salary surveys to measure the salary level of employment and Macroeconomic Index to adjust the overall salary policy, determined to attract and retain talents. In addition to annual salary adjustments and the comprehensive promotion system, various incentive systems are formulated to encourage outstanding employees. According to the Company's Articles, the Company accrued compensation of employees and remuneration of directors and supervisors at the rates of no less than 1% and no higher than 2% respectively of net profit before income tax. The remuneration policy refers to Article 26 "When the Board of Directors execute their duties, compensation may be paid to the directors no matter the Company gained profit or not. The Board of Directors shall be authorized to determine their compensation according to their participation in the operation of the Company and their contribution to the Company, as well as the standards adopted by the industry." The annual salary of the Company's manager includes salary, bonuses and employee compensation. The salary is based on the industry condition, considering the reasonableness of the Company's operating performance, personal performance and future risks. The manager's salary is submitted to the Salary and Remuneration Committee for review and approval according to the law.

(Concluded)